G.R.S. IX—5]

Previous references. 1922 **File No.** 45-20

Court 354-16 (1-8) (Jre) **Serial Nos.** 58 70

Later references.

Pol 59-23-1

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. 2

Part B for July 23

SUBJECT

Mysore Government security life and Marriage Assurance Company Ltd.

Sl 70) Jc 360 & 19-7-23

To

The Managing Director

Mysore Govt security life and Marriage Assurance Company Ltd. Mysore

Sir,

I am directed to state that Government regret that they cannot associate themselves in any manner with the working of the Company &c.

Printed on the Multigraph.

Kulkarni

G. R. S. 11] 1923.

GENERAL AND REVENUE SECRETARIAT.

(I & C)

NOTES.

I & C File No. 45-22

FILE HEADING.

Mysore Govt. Security Life & Marriage Assurance Company Limited.

From

The Managing Director of the Company

No. 6688 Dated 29th May 1923 Received 30.5.23.

Diary No. 5372	Enclos.	Spare Copies.	Serial No. 58

BRIEF ABSTRACT OF LETTER.

States that lots will be drawn by the company for the issue of loans to members as per No 23 of the Articles of Association of the Company and requests that instructions may be issued to a Magistrate to be present on the occasion

NOTES AND ORDERS.

Subd for orders.

C.S. 1.6.23. 1) The drawing that is proposed to be held every ~~thing~~ ~~month~~ year appears to be more or less a lottery. In view of the recent complaints received, it is a point for orders whether the permission of Govt is not necessary for the drawing.

NOTES—First Sheet.

5317

5944
p. 12

G. R. S. III-2]

General and Revenue Secretariat. | Jr File No. 45 of 1922-3

Serial No.

A. 1

3) Whether Govt have on any previous occasion deputed Magistrates for being present at drawings has to be found out by a reference to the Protection Branch who may be Consulted. The opinion of that Branch is also necessary on the question raised on the previous page.

VS
1.6.23

4) I think a reply from the Dist Magte may be called for in the first instance.

For favour of remarks

Mr 1/6

Cent Sec'y, Protection Br.
With Compliments

5) Please note that the query at A. Early.

ag 4/6

5/6

6) Sir

In one case permission was requested to hold a lottery under the supervision of Government authorities. Permission was refused to hold the lottery. There is no precedent of the kind referred to at A

6/6-23.

NDR 6/6.

N. 1-6-23

NOTE—Contn. sheet.

Serial No.

7) There is no precedent, and permission is usually refused in such cases.

8) In the present case particularly, there are additional grounds for declining the request. The Company is not amenable to the reasonable demands of Govt to change its name. Legislation is undertaken to get it done. Prosecutions were also launched against the Company.

9) The ~~petn~~ Company has perhaps given a chance now, by its 'Investment Scheme' and by what is being done under it. This investment Scheme is apparently an elaboration of what is popularly known as the "Chit Fund", and a "Chit Fund" is declared by some decisions as a lottery, pure and simple, and as such punishable under Sec 294 A of the Indian Penal Code. If the Company has already drawn by casting lots, the list of persons who are target loans, action may perhaps be taken under the Section aforesaid. In any case, request for the presence

NOTE—Contn. sheet.

Serial No.

of a magistrate at the dowring, may be refused, as it may lead to a miscarriage on the part of witness, that the concern is patronised by Govt.

JC Branch
write compts

cuy
9.6.23

10) There was a further communication from the Company forwarding the opinion given by counsel regarding the Scheme. Please place it in the file enclosed.

mz
19/6

11) The file is linked hereto.

cuy
19.6.23

mz
19.6.23

12) The Company have since submitted the opinions of certain lawyers on their Pension Investment Scheme from which it will be seen that there does not appear to be anything offending against the law in the scheme itself. The Asstt Secy, Legislative, refers to 'Chit Funds' in his connection but even this does not appear to be illegal as such funds are largely prevalent in Southern India and have been recognised by the Courts.

(5.

G. R. S. III-2]

General and Revenue Secretariat.

Jt File No. 45. of 1922-3

Serial No.

13) It will also be seen that the Memorandum & Articles of Association of the Company which provide for the Periodical Inspection of the Registers of Joint Stock Companies under the Mysore Companies' Registration

14) If it is held that there is nothing illegal in the Scheme itself the next question is whether the Company's request to allow a Magisterial officer to be present at the annual drawings may be complied with. This is a question of expediency and all factors considered it does not seem advisable to grant the request. There is already a formal check, due to the Government life of the Company, have got an interest in the Management of the Company and if the present request is allowed such a check may fail practically force. The Company have agreed to the name and the duties prescribed by Govt. disclaiming all connection with the undertaking has not met with success as often about the management & mismanagement of the Company centering the addresses by shareholders & Govt. This made

NOTE—Contn. sheet.

(6

G. R. S. III-2]

General and Revenue Secretariat. | File No. 45 of 1922-23

Serial No.

Consideration of Letter with Compl. by Company to change its title.

15) In such circumstances the report of the Company may be requested by means any how a report may be called for from the Registering J.S. Co.

For info

Reg.

3.7.23

95. 3.7.23.

12nd minute)

16) We cannot make the Services & our Registrar available for Every Company that starts a Colony. In the Case of the Company under advisement there is also the more reason for grounds set forth in the aforesaid Registrar's letter for declining the grant thereof request.

17) As the Proper Officers of the Company they have stated that the Letters with the Drawn in the presence of a Registrar. They have no business to issue such a notice & thereby mislead the public without previously applying to the Court for the Sanction of the Registrar & obtaining their Sanction.

18) The file may be submitted to Reg

NOTE—Contn. sheet.

G. R. S. III-2]

General and Revenue Secretariat. | File No. 45 of 1922-3

Serial No.

Learned Counsel for 1st member for favour of his opinion as above.

Sd/- 14/7/23

Hon'ble 14/7.

603/5/7/23

19) (1st member) -

20) I agree. I cannot say that it is a colliery that is reduced to a drawn away but I shall not proceed to the full extent of the powers of the Company.

Sd/-

10/7 14/7/23

Hon'ble 10/7

287/10.7.23.

21) (2nd member)

22) This may be submitted with a letter drafted under Section 4 (2) of the Commissioners for the Company.

Sd/-

14/7 14/7/23

Hon'ble 14/7

NOTE—Contn. sheet.

G. R. S. III-21

(8

General and Revenue Secretariat. | IC File No. 45 of 1922

Serial No.

23/ Draft Govt.
Cy. 13.7.23.

Re appeal
Hon.
14.7.23

395
14.7.23

2nd meeting

14/7/23

14/7/23

70

D.O. Ic. 860 Dt. 19-7-23

To

The Managing director
Mysore Government Security Life and Marriage Assurance Company Ltd
Mysore.

States that Government regret that they cannot associate themselves in any manner with the working of the Company and that they are unable to comply with his request

B.

GEN. & REV. SECTT.
21 JUL 1923
INDUSTRIES & COMM.
BRANCH.

NOTE—Contn. sheet.

(9

G. R. S. III—3]

ROUTINE NOTES.

[To be used only for notes, requisitions, etc., not intended for permanent record]

Letters Nos 9784 and 9814 dated 14th & 15th June 1923 from the Managing Director Mysore Govt. Security Life and Marriage Assurance Company Ltd. forwarding the opinions of Messrs K. Shankaranarayana Rao and K. Subbayya Govt. Advocates of Mysore & Madras respectively on the legality of their Personal Investment &c. &c.

The previous papers have been sent to the Protection Branch for opinion.

Send with a draft acknowledging receipt of the letters

Clp
18.6.23.

D.O. letter No 7739 dated 19th June 1923 to the Managing Director of the Company.

Vide notes in the main file.

N. B.- Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

SECRETARIAT
2 JUL 1923
INDUSTRIES & COMMERCE
D W D 1860—GPB—1,50 000—2-5-21

IN YOUR COMMUNICATION PLEASE QUOTE THE NO. OF THIS LETTER.

OM

Tel. Address: 'PIONEER,' Mysore.

MYSORE GOVERNMENT SECURITY
LIFE AND MARRIAGE ASSURANCE COMPANY, LIMITED, MYSORE

Head Office: MYSORE (S. India)

No. 6688

DIARY NO 537

Life & Marriage Assurance Buildings,

Dated, 29th May 1923

Section. Sec

Serial No.

GEN. SECRETARIAT 30 MAY 1923 INDUSTRIES & COMMERCE BRANCH

41131

To The Chief Secretary to the Government of His Highness the Maharaja of Mysore, in Bangalore.

MAY 1923

Dear Sir,

While enclosing herein a copy of our Personal Investment Prospectus for your kind perusal, we have to inform you that as we require much funds for granting loans to our Life Insurance Policyholders on joint security o their life policies and immoveable properties under our Property Investmen Scheme (a typed copy of which also is enclosed herein for your kind information), we issue one lakh bonds of Rs 50/- each and collect 50 lakhs of -- rupees every year free of interest for not less than 25 years under the sa Personal Investment Scheme. As 25% i.e., Rs 12,50,000 out of the abovesai Rs 50,00,000 will be invested in the Government Securities and the balance - 75% i.e., Rs 37,50,000 on security of immoveable properties, the Company gets interest amounting to not less than Rs 3,00,000 every year at 6% per annum on the abovesaid Rs 50,00,000 as detailed in the enclosed prospectus.

Now, in consideration of the bondholders depositing their bond amounts with the Company free of interest for 25 years at least, the Company has mad a provision to grant loans (ranging from Rs 1000/- to Rs 8000/-) aggregating t the sum of Rs 2,10,000 to 200 bondholders every year (on their personal securities free of interest repayable in 25 years by quarterly instalments of Rs each) out of the abovesaid interest Rs 3,00,000, and distributee this amount of Rs 2,10,000 as profits among all the bondholders every year as it goes on being repaid. As abovesaid, the amount to be set apart every year for such

loans would be Rs 2,10,000 and the number of bondholders that are to get loans every year will be only 200 out of one lakh bondholders. As it is not possible to leave the selection to the bondholders themselves as every one of them will be anxious to get the loan earlier, the only possible solution would be that the names of 200 bondholders that are to get loans shall be determined either by the directors or by casting lots as is usually done by Chit funds in India and Loanclubs in England.

As there is every possibility of the directors being accused of favouritism either justly or unjustly in case the former course is adopted, the Company has decided that the loans should be granted to 200 bondholders every year as determined in the drawings. As loans will be granted to 200 fresh bondholderrs every year until all the (one lakh) bondholders are exhausted, every bondholder will have got loan one year or the other. So, it is needless to say that the Scheme is perfectly legal and sound as you will see not only that the drawing is not held for any distribution of prizes but held only for determining the hames of the persons that are to get the loans but also none of the bondholders will be put to any loss in any way. On the contrary, every one will be benefitted alike and gets his principal amount back along with due profits whenever he likes after 25 years.

In this connection, we beg to invite your kind attention to Article No. 23 of the Articles of Association of the Company (a copy of which is enclosed herein) as well as to Para 3 under the heading 'Special Features of the Scheme' in the enclosed Personal Investment Prospectus in which you will see that the drawings under reference are to be held in the presence of a Magistrate in order to avoid possible fraud or distrust. As the first drawing (that had to be held on 31st December 1922 but postponed by the Directors of the Company from that date for being held at the General meet-

(12

ing of the Shareholders), is going to be held in the next month, we beg to request you most respectfully that your goodself will be pleased to kindly issue instructions to any of the Magistrates have to be present on the occasion and cause a copy thereof sent to us for our guidance.

Begging to be kindly excused for the trouble and thanking you in anticipation,

We have the honor to be,

S i r,

Your most obedient servants,

Managing Director.

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LOANS FROM Rs. 1,000 TO Rs. 8,000

WILL BE GIVEN

WITHOUT INTEREST AND **WITHOUT SECURITY**

UNDER OUR PERSONAL INVESTMENT SCHEME

The unique benefits of which are hitherto unknown to the Insurance and Banking worlds.

If you want a loan, what all you have to do is to apply for one Personal Investment Bond of the Company, and pay only Rs 2-8-0 with the application towards admission and stamp fees and Rs. 50 either in lumpsum or by 50 instalments of Re. 1 per month towards bond amount, along with an annual fee of Rs. 6 either in lumpsum or by four instalments of Rs. 1-8-0 per year. **The total amount to be paid in all on account of one bond is Rs. 58-8-0 in course of 4 years and 2 months, or Rs. 55-8-0 alone in case the bond amount is paid in lumpsum with the application as half of Annual fees will be remitted.**

Any person of sound mind can take any number of bonds without any restriction of caste, creed, sex, or age, and **will be entitled to the benefits of each bond separately.** But the persons aged below 18 shall be represented by their Guardians.

THE SPECIAL FEATURES OF THE SCHEME

1. **Absolute Security.** The authorized capital of the Company **Rs. 5,00,000** has been **fully subscribed** and the amount paid up on the same exceeds **Rs. 1,25,000.** Out of paid up capital, **Rs. 1,00,000 Government of India Securities** have already been furnished and also more to make up **Rs. 2,00,000** will be furnished **as Maximum Security Deposit to the Government of India as per Indian Life Assurance Companies Act 1912.** The Company has purchased a decent building for its Head Office in the best commercial part of the city of Mysore, which costs about **Rs. 45,000** and yields a rent of more than **Rs. 200** per month.

Moreover, **25 per cent.** of the amount of bonds to be collected from the bondholders will be invested entirely **in the Gauranteed Government Securities every year** and the said Securities will be held in safe custody by **an Official Trustee to be appointed either by the Government of Mysore or by the Government of India** as per present Articles of Association of the Company. The remaining **75 per cent.** of the amout of bonds will be utilized **in advancing loans to the Life Insurance Policyholders** of the company **on joint Security** of their Life policies and **immoveable properties.** So, not only the bondholders' moneys will be invested **in the Government and other safest securities to the very last pie** but also they will have **sole charge** on their funds in addition to the **security afforded by the capital.**

2. **Eligibility for Loans.** Only those bondholders who will have paid up their bond amounts fully with all the annual fees before the end of the previous calendar year will be qualified to receive loans as determined in the drawings to be held on the last day of every calendar year. **But the names of the bondholders who could not take up bonds or pay up their bond amounts fully before the end of the last calendar year, will be included in the drawing to be held this year provided the payment of their full bond amounts and annual fees is made with an amount of interest at As. 4 per bond per month or part of the month from 1st January till the date of payment. Applications for more than one lakh of bonds will not be received for the first Series, and the second Series will not be taken up till next year.**

3. **Mode of Drawing and Granting of Loans.** If there will be one lakh of qualified bondholders in a calendar year, the Company will have collected rupees **fifty lakhs** from them at Rs. 50 each till then, and gets **three lakhs of rupees interest** for the said calendar year at 6 per cent. interest per annum. Out of one lakh of bonds, only 200 will be drawn in the drawing to be held on the last day of that calendar year **in the presence of a Magistrate,** and the 1st and 2nd drawn bondholders will get **Rs. 8,000 and Rs. 4,000** respectively, while the remaining 198 drawn bondholders will get **Rs. 1,000 each, as loans without interest and security (repayable in 25 years by quarterly instalments of Rs. 10 each per thousand),** amounting in all to Rs. 2,10,000 out of the abovesaid three lakhs of rupees interest.

In the same way, 200 bonds will be drawn every year till one lakh of bonds are exhausted, **but the bonds once drawn will not be drawn again.** The drawing will be held and the loans will be granted every year even if the number of bonds be less than one lakh, but the number of bonds to be drawn will be proportionately less and all the drawn bondholders will get only Rs. 1,000 each. That is, if there are only 48,400 qualified bondholders in a year, 97 bonds (at 1 per 500) alone will be drawn, and 96 drawn bondholders get Rs. 1,000 each while the 97th drawn bondholder will get only Rs. 800 as loan.

4. **Profits.** The surplus amount of Annual, Admission and Stamp Fees to be recovered from the bondholders, as well as the loan amounts to be repaid by the advanced drawn bondholders, after meeting the working expenses of this department will be distributed among all the qualified bondholders every year in the form of profits, **which amount to about 4 per cent. interest per annum.**

5. **Bonus** In order to avoid litigation after the death of drawn bond holders, they will be required to take up Life policies (to the extent of the amount to be advanced) in the Life Insurance Department of the Company, so that the Assured amount may be adjusted towards the Loan and the balance paid to their heirs in case of their earlier deaths.

6. **Repayment of Bond Amount.** The amount of the qualified non-drawn bondholders will be refunded at any time after 25 years at their option, while that of the drawn bondholders will be refunded only after they liquidate the advanced loan amounts and the bonds of all the other non-drawn bondholders are drawn.

A WORTHY PURPOSE

Let us say frankly at the outset that the purpose of this leaflet, while primarily designed to promote the objects of the company is in the real sense to point out to the would be investors **A Royal Road to wealth that is safe, sound, simple, practical and adaptable, and to allevlate distress, misery and suffering of the Society formoney-want in the wider sense.** The scheme (detailed on the reverse) as may be imagined by some is **neither a lottery nor a speculation** whatsoever but is based entirely **on Arithmetical calculation.** In a lottery only a very few will be lucky to get the coveted prizes while thousands stand the chance of losing their moneys. Under our Personal Investment Scheme, **one out of every 20 is guaranteed to get a loan as (200 X 25) 5,000 persons out of one lakh will get loans in 25 years at 200 per year** but it is only a qnestion of time and selection as determined in the drawings. Those that don't get the loans will get their **principal amounts back** at any time after 25 years **even with interest** in form of profit which is expected to be fairly decent.

As we don't receive applications for more than one lakh of bonds for the first series and the second series will not be taken on hand till the next year, send in your applications for the required number of bonds immediately with due remittance to avoid disappointment and **stand a better chance of being selected in the ensuing drawing to be held on the last day of this year** than those who take long time to think, as the applications for bonds are pouring in like anything from all parts of India owing to the popularity of the Scheme and we may soon have **to close the list for the first series.**

Some might doubt about the working of the scheme as it is very likely that some of the bondholders to whom the loans will be granted, may happen to be insolvent. But, when the object of the scheme is to make **the insolvent as solvent,** we expect the return of the loans from the majority more particularly when the loans are allowed to be repaid **in 25 years by small instalments without any interest.** Anyhow, we have to allow fair margin for such contingencies but it will be no loss to either the company or the bondholders even if some amounts are found irrecoverable **as the same will be paid only out of interest and not a single pie of the principal amount will be utilized for this purpose.**

M. L. NAGANNAH,
Managing Director.

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MYSORE GOVERNMENT SECURITY

Life and Marriage Assurance Co., Ltd.

(Incorporated under the Mysore Companies Regulation.)

HEAD OFFICE: MYSORE (S. INDIA)

CHIEF AGENCIES: ALL OVER INDIA

PERSONAL INVESTMENT PROSPECTUS

LIFE AND MARRIAGE ASSURANCE BUILDINGS MYSORE.

BANKERS
IMPERIAL BANK OF INDIA

Applications from gentlemen of position and influence for Agencies in Unrepresented Stations invited.

MEDICAL REFEREE: Dr. Fred. H. Narohna, M.B. Ch.B. (Edin.), D.P.H. (Camb.); **CONSULTING ACTUARY:** G. S. Marathey, Esq., M.A. (Bom.), A.I.A. (Lond.).
AUDITORS: Messrs. Cornelius Logan & Co., Chartered Accountants, Madras.

M. P. PHOGIAH, ESQ., B.A., B.L.,
Legal Adviser and Director.

FORM OF APPLICATION FOR BONDS

To
THE GENERAL SECRETARY,
THE MYSORE GOVERNMENT SECURITY,
LIFE & MARRIAGE ASSURANCE Co., Ltd., MYSORE

No.	
Date of Receipt	
Date of Allotment	
No. of Bonds Allotted	
Bond Numbers	

GENTLEMAN,

I, the undersigned, hereby agree to take up bonds of Rs. 50 each in the *Personal Investment Department* of the abovenamed Company upon the terms and conditions contained in the detailed prospectus of the same as well as in the Articles of Association of the Company, and to accept the same or any smaller number that may be allotted to me.

I beg to send herewith the sum of Rs. being a deposit at the rate of Rs. 2/8 per bond (Rs. 2/- towards admission fee and As. 8/- towards cost of bond) on the number of bonds applied for by me and agree to pay Re. 1 per bond every month for the next 50 months as well as annual fee of Rs. 1/8 per bond every year only for 4 years.

Station.....
The.....192

Usual Signature

Please Write Distinctly

(Name in full.....
Profession or Business.....
Address (in full).....
Post Office.....
District or Province.....

DR. A. J. RAM, L.M.S., M.D. (E.H.),
Medical Adviser and Director.

PROVISIONS INVOLVED [illegible]

1. Every Policyholder in the Life Insurance Department of the Compa whose policies has been in force for more than one year and who has -- already paid at least 3 years premium, shall be eligible for receiving loans from the Company under articles herein prescribed subject to s-- such limitations as the General Board of Directors may act according to the exigencies of the Company.

2.(a) Loans shall be granted and disbursed only to the extent of th sum assured of the security of his life Policy and mortgage of the -- immovable property of the applicant.

(b) The immovable properties so given as security shall be free from all encumbrances and the applicant shall possess a clear and -- undisputed title to the same.

3. Every applicant for a Loan shall submit his application in the f form annexed herein through the Chief Agent of his place. Along with his application he shall pay one percent of the loan amount to cover the Legal Adviser's fees to pronounce an opinion on the applicants titl to the property. On being informed of the approval of the title by the Legal Adviser the applicant shall pay a further one percent to cover th valuation charges (Surveyor's fees) together with the actual travelling and other incidental expenses of the Surveyor. As far as possible the Surveyor appointed shall be one or more of the applicants Provincial -- Directorate nominated by the General Board of Directors.

4. The surveyors so nominated shall without unnecessary delay submit their report in the form annexed herein.

5. In sanctioning loans, the following rules of precedence will be observed.

(a) Fully paid up shareholders who are also Policyholders and who offer security of immovable properties in towns where the Provincial - Directorate exists according the to the priority of their application.

(b) Policyholders who offer security of immovable properties in towns where the Provincial Directorate exists according to the priori of their application.

(c) Fully paid up shareholders and Policyholders who offer secur of immovable properties not in town but within the jurisdiction of Pr vincial Directorate according to the priority of their application.

(d) Policyholders who offer security of immovable properties not town but within the jurisdiction of Provincial Directorate according the priority of their application.

6. The Chief Agent shall then circulate the opinion of the Surveyo the Legal Adviser to the members of the Provincial Directorate and sh then forwards the same to the Head Office with his own remarks there The Officer in charge of the Head Office shall then circulate all the papers to the members of the General Board of Directors who shall at their next meeting finally decide the questions of sanctioning the lo While so deciding they shall not dissent from the conclusion of arriv at by the Provincial Directorate unless they for good reasons to be r corded in writing consider it expedient to so dissent. The decision o the General Board of Directors shall be final.

7. After the General Directorate has sanctioned the loan & before disbursement, the applicant shall execute, register and deliver a do of mortgage approved by the Legal Adviser and in conformity with the articles of this Company. He shall also a execute register and deli or deliver such other document or documents as he may be required to

8. Repayment of loan:- The Policyholders receiving loans shall b quired to pay only interest at 12 percent per annum for a period of months i,e, 16 years and 8 months only. At the end of this period applicant shall be considered to have discharged the debt in full the charge of the Company against the property automatically cease

case the borrower dies or his Policy matures before the loan is charged, the amount of loan will be deducted out of the assur and balance amount paid to their heirs. This interest shall be monthly, quarterly, half yearly, or yearly in advance as per term the mortgage deed.

Example (a) Supposing a man who holds a life (say 15 years endow Policy and immovable property. Supposing he pays interest of month regularly say for 100 months (i,e,8 years & 4 months) and Half of the loan amount of Rs 2500/ should be considered to have charged(as full amount will be discharged ~~of the principal loan to be extent of 180/200 X 5000/- & Rs 4500/- and as such, only Rs (5 minus 4500/) & Rs 500/- will have to be deducted out of the assured~~ amount if interest be paid for 200 months) and as such Rs 2500 will paid in cash to heirs of the deceased after deducting only Rs 2500/ out of the assured amount of Rs 5000/-.

(b) Again, supposing he survives 15 years when the assured sum plus bonus become payable. As he will have paid interest only for 180 months (i,e, 15 years) he will be entitled to the discharge of the principal loan amount to the extent of 180/200 X 5000 & Rs 4500 and as such, only Rs (5000 minus 4500) and Rs 500/- will have to be deducted out of the assured amount and the balance of Rs 4500/- with bonus paid.

N.B:- The borrowers can repay the loan amounts at any time without any previous notice, the amount payable calculated proportionately as exemplified above. Any amount can be paid in arrears towards the principal assured amount but no rebate of interest will be allowed in any case.

9. The applicant shall have to bear all the expenses in connection with the stamp, registration and other expenses incidental to the execution of the mortgage-deed.

10. Defaulters:- If the person who has taken the loan as setforth in these articles fails to pay the monthly, quarterly, halfyearly or yearly interest as set forth in the mortgage deed he will be required to pay interest at 15% instead of 12% as set forth in these articles for the -- period he is in default. If this default payment is not paid within a period of one year from the date of default, the amount of loan will become due immediately and will become due recoverable notwithstanding anything done or said in the articles herein. If at the time of this default of payment of interest he has allowed his Policy also to lapse, the amount of loan he has borrowed will become due immediately and will become due recoverable immediately notwithstanding anything done or said herein before. When so recovering the amount of interest he has till -- then paid will be credited, first towards the interest on the loan --- amount at 9% and the balance if any towards the principal amount ---- borrowed by the applicant. If the applicant should pay up his default - amount and expenses incurred at any time before action to recover this amount is completed at the same time satisfactorily accounting for the delay, the general Directorate may on the recommendation of the Procincial Directorate or otherwise condone the default. No action shall be taken against the borrower before the expiry of 1 year from the date of default if his policy is in force and before the expiry of 2 months -- from the date of default if the policy is not in force.

11. When the General Directorate have in pursuance of these articles decided by a resolution to take action against defaulting borrower, the Company shall be at liberty to sell the mortgaged property either by - public auction or by private sale at any time they think fit after --- giving such notice as required by law. The money arising from such sale shall, unless otherwise provided in the instrument of mortgage be applied in first in payment of all costs, charges and expenses incurred the Company as incident to the sale; secondly in discharge of the unt due under the mortgage deed; thirdly in discharge of any other ms of the Company outstanding against the mortgager. The resid money, if any, shall be paid to the mortgager, or to ot tled thereto.

. When the net proceed of le by the mortg or shall

13. The General Directorate may without exercising in the 1st instance the power of the sale conferred on them as aforesaid institute for reasons to be recorded in writing at a meeting legal proceedings for the recovery of the mortgage debt from the borrower personally and by sale of mortgaged property and otherwise. The cost of such proceedings shall be a charge on the property mortgaged.

14. The General Directorate may allow any Policyholder who has taken a loan on the mortgage of any property to get such property released -- from the mortgage on his substituting as security any other property of at least the same value. The procedure to be followed in such case will be the same as herein before described. All espenses incidental to and caused by the substitution of the security shall be borne by the applicant.

15. Policyholders who have mortgaged their property to the fund and who are desirous of making any alteration, addition or improvement to them shall be allowed to do so at their own expense but only with the previous sanction of the General Directorate and subject to such terms and conditions as they may impose. The alterations, additions and ---- improvement so made shall also be a security for the loan.

16. When it is brought to the notice of the General Directors or they themselves find the mortgaged properties have suffered or are suffering or are about to suffer deterioration in value to the prejudice and ---- interests of the Company and at the same time the applicant's Life -- Policy is not in force, they shall cause a notice to the mortgagor -- calling upon him to improve the securities to their satisfaction. On the mortgagor failing to do so, the amount of loan he has borrowed will become recoverable immediately and the provisions of article 10 will apply.

MEMORANDUM OF ASSOCIATION

OF

THE MYSORE GOVERNMENT SECURITY

Life & Marriage Assurance Company, Ltd., Mysore

WITH

ARTICLES OF ASSOCIATION

(Registered under the Mysore Companies Regulation No. VIII of 1917.)

MEMORANDUM OF ASSOCIATION

OF

The Mysore Government Security

Life & Marriage Assurance Co., Ltd.,

MYSORE

WITH

ARTICLES OF ASSOCIATION

(Registered under Mysore Companies Regulation No. VIII 1917.)

MYSORE:
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ARTICLES OF ASSOCIATION

OF

The Mysore Government Security Life and Marriage Assurance Company, Limited, Mysore.

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THE MYSORE GOVERNMENT SECURITY

Life and Marriage Assurance Company, Limited.

Head Office: **MYSORE** (S. India.)

NOTICE

The under-noted Memorandum of Association has been passed and confirmed in the Extraordinary General Meetings held on 30th April and 15th May, 1922, respectively, and will be incorporated after sanction by the Chief Court Mysore in compliance with Section 12 of the Mysore Companies Regulation No. VIII of 1917.

M. P. BHOGIAH, B.A., B.L.,

Chairman.

Memorandum of Association

1. The name of the company is the 'Mysore Government Security Life and Marriage Assurance company Ltd.'

2. The registered office of the company will be situate in the city of Mysore.

3. The objects for which the company is established are:

(*a*) To carry on in India and in any other part of the world the business of life assurance, sickness assurance, and accident assurance and annuity business in their various terms either alone or in combination with one another either with or without the right to participate in the profits of the company, including whole life and short terms assurances, lease hold assurances, endowment and term assurances, joint life and survivorship assurances, double endowment assurances, assurances against sickness or accident either alone or in combination with life assurance, the purchase of reversions and contingent life interests, and the purchase and sale of annuities of all kinds, including immediate, deferred, terminable, joint life, and survivorship annuities, and to transact such other kind of assurance business such as fire, marine guarantee and other assurances as may from time to time be determined upon by the company in general meeting.

(*b*) To re-insure with other assurance companies doing similar business all or any of the risks taken up by the company, and to accept authorized risks from similar companies either direct or by way of re-insurance.

(*c*) To create or set aside out of the capital, revenue or divided profits of the company a special fund or special funds and to grant to any class of policyholders, annuitants or creditors any preferential right over any fund or funds so created and for such purposes to place any portion of the company's property in the name or names of any one or more trustees.

(*d*) To purchase take or lease or in exchange, or to hire or otherwise acquire for any estate or interest, any lands, buildings, leasements, rights, privileges, concessions and immoveable property of any tenure or of the world kind necessary or convenient for the company's business in any part of the world.

(*e*) To erect, construct, laydown, enlarge, alter, and maintain buildings, works and machinery necessary or convenient for the business of the company in any part of the world.

(*f*) To sell, exchange, lease, mortgage or otherwise deal with all or any part of the property of the company.

(*g*) To purchase or otherwise acquire the business and property of any person, of firm or company carring on any business which the company is authorized to carry on and to take over the assets, property and liabilities of such person, firm or company on such terms as the company may think fit.

(*h*) To enter into partnership and into an arrangement for sharing profits, union of interest, co-operation and joint adventure, reciprocal concession or otherwise, with person, firm or company carrying on or about to engage in any business or transaction calculated to benefit this company and to guarantee the contracts of or otherwise assist such person, firm or company.

(*i*) To invest a fixed percentage of the funds of the company only upon such securities as are guaranteed by the Government and also to lend monies to policy-holders of the company from such funds as may be especially provided for this purpose on the security of the immoveable properties of such policy holders and of the company's policies on such terms as may from time to time be determined upon.

(*j*) To make, accept and endorse bills of exchange and other negotiable instruments and to borrow and raise money for the purposes of the company's business.

(*k*) To mortgage and charge the undertaking and all or any of the immoveable or moveable property present or future of the company including uncalled capital, and to issue bonds, debenture or debentures, stock, perpetual or otherwise with or without special privileges, and also with or without a specific charge on all or any part of the company's property.

(*l*) With the sanction of a resolution passed by the shareholders of the company in general meeting to amalgamate with any other company whose objects in whole or in part are similar to the objects of the company on such terms and for such consideration as may be agreed upon between the two companies subject to the liabilities of both the companies being taken over by the amalgamated company.

(*m*) To distribute among the shareholders in special or otherwise any property of the company or the proceeds of sale of any such property but so that no distribution amounting to a reduction of capital be made except with the sanction required under the Mysore Companies regulation or other law in force at the time of reduction.

(*n*) To establish branches, local and provincial boards and agencies in any part of the world and to discontinue the same.

(*o*) To enter into and carry into effect an agreement with regard to the management of the company which has been prepared and expressed to be made between Messrs. M. L. Nagannah Mr. M. P. Bhogiah, Mr. A. J. Ram, and Mr. L. Basappa, the special directors of the company on the one part and the company on the other part a copy of which is annexed to the articles of association of the company.

(*p*) To do all such other things as are incidental or conducive to the attainment of all or any of the above objects.

4. The liability of the shareholders is limited.

5. The capital of the company is five lakhs of rupees, divided into 50,000 shares, of rupees ten each, with power to increase.

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THE MYSORE GOVERNMENT SECURITY

Life and Marriage Assurance Company, Limited.

Head Office: **MYSORE** (S. India.)

NOTICE

The under-noted Articles of Association have been incorporated (in place of all the previous regulations of the Company) after sanction by the shareholders in their Extraordinary General and Confirmatory Meetings held on 30th April and 15th May. 1922 respectively.

M. P. BHOGIAH, B.A., B.L.
Chairman.

Articles of Association

I. Constitution of the Company

1. The Mysore Government Security Life and Marriage Assurance Company Limited, is established with Limited Liability in accordance with, and subject to, the provisions of the Mysore Companies Regulation and also is to work under the Indian Life Assurance Companies Act 1912. Table A also to apply.

The First Schedule

TABLE "A"

16. The Directors may make arrangements on the issue of shares for a difference between the holders in the amount of calls to be paid and in the times of payment.

18. The instrument of transfer of any share in the Company shall be executed both by the transferrer and transferee, and the transferrer shall be deemed to remain holder of the share until the name of the transferee is entered in the register of members in respect thereof.

20. The Directors may decline to register any transfer of shares, not being fully-paid shares, to a person of whom they do not approve, and may also decline to register any transfer of shares on which the Company has a lien. The Directors may also suspend the registration of transfers during the fourteen days immediately preceding the ordinary general meeting in each year. The Directors may decline to recognize any instrument of transfer unless.

(*b*) The instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferrer to make the transfer.

21. The executors or administrators of a deceased sole holder of a share shall be the only persons recognized by the Company as having any title to the share. In the case of a share registered in the names of two or more holders, the survivors or survivor, or the executors or administrators of the deceased survivor, shall be the only persons recognized by the Company as having any title to the share.

22. Any person becoming entitled to a share in consequence of the death or insolvency of a member shall, upon such evidence being produced as may from time to time be required by the Directors, have the right either to be registered as a member in respect of the share or, instead of being registered himself, to make such transfer of the share as the deceased or insolvent person could have made; but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by the deceased or the insolvent person before the death or insolvency.

23. A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.

with the aid of the Personal Investment Scheme, yet the business of the

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THE MYSORE GOVERNMENT SECURITY

Life and Marriage Assurance Company, Limited.

Head Office: **MYSORE** (S. India.)

NOTICE

The under-noted Articles of Association have been incorporated (in place of all the previous regulations of the Company) after sanction by the shareholders in their Extraordinary General and Confirmatory Meetings held on 30th April and 15th May. 1922 respectively.

M. P. BHOGIAH, B.A., B.L.
Chairman.

Articles of Association

I. Constitution of the Company

Table A also to apply.

1. The Mysore Government Security Life and Marriage Assurance Company Limited, is established with Limited Liability in accordance with, and subject to, the provisions of the Mysore Companies Regulation and also is to work under the Indian Life Assurance Companies Act 1912. But the Regulations contained in the Table marked A in the first Schedule to the said Mysore Companies Regulation No. VIII of 1917 shall be applicable to the Company so far as such Regulations are not modified in the following Articles:—

Company to be governed by these Articles as well as by Table A.

2. The Regulations for the management of the company, and for the observance of the members thereof and their representatives shall, subject to any exercise of the statutory power of the Company in reference to the repeal or alteration of, or addition to, its Regulations by special Resolution as prescribed by the said Mysore Companies Regulation be such as are contained in the following Articles as well as in the Table A in the first Schedule to the said Mysore Companies Regulation as abovesaid.

II. Business

Place of business.

3. The Head Office of the Company shall be in the city of Mysore, and the business of the Company shall be carried on there and at such other place or places within and beyond the limits of India as the Board may deem advisable.

Nature and conduct of business.

4. Although the present business of the Company is to insure lives and lend monies to the life policyholders on joint security of their life policies and immoveable properties to the extent of the assured amount with the aid of the Personal Investment Scheme, yet the business of the

Company shall include everything within the scope of the Memorandum of Association of the Company. Such business shall be carried on by or under the management or direction of the Board; and any act or thing, and any branch or kind of business which by the Memorandum of Association is either expressly or by implication authorized to be done, suffered or undertaken by the Company, may be undertaken by the Directors at such time or times and in such manner as they shall think fit.

III. Capital

Full share amount to be paid immediately and fully paid up shareholders alone to be entitled to all the benefits.

5. The Capital of the Company shall be at present only five lakhs divided into 50,000 shares of Rs. 10 each. As the present authorized capital of the Company is fully subscribed, all the shareholders of the Company who have not yet paid up their share amounts fully shall pay up the balance amount of calls to make up Rs. 10 per share on their shares immediately irrespective of the time given for the payment of such calls and only those shareholders who have and will have paid up their share amounts fully shall be entitled to the dividends and other benefits to be detailed hereinafter. But no share or shares shall be liable to be forfeited to the Company on account of the nonpayment of the full share amount immediately unless the time given for the call or calls in the share certificate already issued, expires and thereby the shareholder becomes a defaulter.

Renewal of share certificate.

6. If any share certificate be worn out, damaged, or lost, it may be replaced on payment of eight annas provided such evidence as the Board may deem reasonable be afforded of the loss of such certificate, and of the title thereto, of the party applying for the renewal, and provided such indemnity be given in respect of the issue of the new certificate and otherwise as the Directors may require.

Endorsement on certificate.

New certificate to transferee.

7. Every endorsement upon the certificate of any share in favour of any transferee thereof shall be signed by some person duly authorized by the Directors in that behalf and in case any transferee of a share or shares shall apply for a new certificate thereof, in lieu of the old or existing certificate, he shall be entitled to receive a new certificate on payment by him (in addition to the transfer fee of rupees two) of the sum of eight annas, and upon his delivering up to be cancelled every old or existing certificate which is to be re placed by a new one.

New certificates to be issued when certificate is filled up.

By whom certificate is to be signed.

8. In the event of a certificate being filled up with endorsements and a further transfer of shares to which it refers being made or required, a new certificate shall be issued on payment of a fee of eight annas. The share certificates shall be signed by some person duly authorized by the Directors and countersigned by the Managing Director or any one of the other Directors of the Company. Transactions mentioned in this Article and also in Article 7 must not be done without the previous sanction of the Board.

Copy of Memorandum and Articles to be furnished to shareholders.

9. Copies of the Memorandum and Articles of Association shall be furnished by the Directors to every shareholder, at his request in writing on payment of the sum of rupee one, per copy.

IV. Utility of the Capital

Paid-up-capital how invested.

10. The paid up capital of rupees five lakhs shall be utilized for furnishing security deposit of rupees two lakhs to the Government of India in compliance with the Indian Life Assurance Companies Act 1912, and also for granting loans to the Life Insurance policyholders on joint security of their life policies and immoveable properties in addition to the Life Assurance and Personal Investment Funds as detailed hereinafter.

V. Life Fund and Actuarial Valuation

Life Assurance Fund and sole charge of the life policy holders thereon.

11. A separate account shall be kept of all receipts and charges in respect of the Life Assurance Contracts of the Company, and the balance of the said receipts shall be carried to and form a separate fund to be called the Life Assurance Fund of the Company and such fund shall be as absolutely the security of the life policyholders as though it belonged to a company carrying on no other business than that of Life Insurance and shall not be liable for any contracts of the Company for which it would not have been liable had the business of the Company been only that of Life Assurance.

Appointment of Actuary.

No tables to be issued without approval of Actuary.

12. The Board shall appoint a Fellow of the Institute of Actuaries of England or a Fellow of the Faculty of Actuaries of Scotland as consulting Actuary to the Company and shall have power from time to time to cancel the appointment of any Actuary and to appoint another in his stead who shall be a Fellow of the Institute of Actuaries of England or a Fellow of the Faculty of Actuaries of Scotland. No tables of premia shall be issued or adopted by the Company unless the said tables have been prepared or approved of by the consulting Actuary of the Company for the time being.

Valuation by Actuary.

13. So soon as practicable after the 31st December 1926 and so soon as practicable after the expiration of every succeeding five years from that date, the Directors shall cause an investigation into the financial condition of the Company to be made by the Company's Actuary, who shall value all the assets and liabilities of the company as on the said dates respectively upon such principles and based on such calculations and data as the said Actuary shall determine. The report of the Actuary for the time being shall be conclusive as to the values of the Company's funds and risks on the date on which such valuation is made.

Extra-ordinary Meeting to consider the Valuation Report.

14. So soon as practicable after the receipt by the Directors of the Actuary's first and subsequent quinquennial valuation reports, the Board shall summon an extraordinary General Meeting of the shareholders for determining:—

(*a*) The amount of profit which has been realized by the Company on account of the Life Insurance business during the period to which the valuation report refers.

(*b*) The amount of profits which has been realized in form of surplus amount of interest on the paid up capital and the Personal Investment Department funds invested by the Life Insurance Department of the Company in the Government and other securities, after paying the due

amount of interest to the shareholders' Funds and the Personal Investment Department as mentioned in the Article 37 as well as the charge for realization.

(*c*) The proportion of the profits of the Life Insurance Department of the Company which shall be utilized for the formation of a Reserve Fund and which shall in no case be less than one third of the said profits.

(*d*) All other matters and things arising out of or germane to the valuation and report of the Actuary.

Proportion of profits to the assured.

15. Nine-tenths of the profits which shall remain after setting aside such sum as may be determined for the Reserve Fund under Article 14 (c) shall be allotted to such policyholders as may be entitled either by way of cash payment, reduction of future premiums, or in addition to the sum assured at the option of each policyholder.

VI. Dividends to Shareholders

Proportion of profits to the shareholders.

16. The profits which shall remain in the Life Insurance Department of the Company after the allotment to the policy holders of the share of profits mentioned in Article 15, amounting to one ninth of the share of profits allotted to policyholders, shall be applied as a dividend to shareholders and divided amongst them in proportion to the number of the shares held by each.

Interim dividend payable before first valuation if advised by the Actuary.

17. No dividend shall be payable to the shareholders before a declaration of profits on the results of the first quinquennial valuation by the Actuary. But, if on a preliminary investigation of the financial condition of the Company, the Company's Actuary considers that enough profits have been earned to justify the payment of an interim dividend, the Board may with the approval of the Company's Actuary recommend an interim dividend to the shareholders as they think fit, even before the receipt of the first quinquennial valuation report.

No interest on unpaid dividends and shareholders not entitled to dividends until all moneys due from them be paid.

18. No unpaid dividend shall ever bear interest against the Company nor shall a shareholder be entitled to receive payment of any dividend in respect of his share or shares until all monies due, or owing from him to the Company in respect of such share or shares, or any other account whatsoever shall have been paid.

Directors to deduct from dividends debts due to the Company.

19. The Directors may deduct from the dividend or bonus payable to any shareholder all such sums of money as may be due thereon and expense incurred in respect of the same or on account of any other matter whatsoever.

Notice of dividend.

20. Notice of any dividend or bonus that may have been declared shall be given to the shareholders either by advertisement in one English and one Vernacular daily newspaper published in each of the provinces where the chief agency or branch offices are opened, or by writing sent to the registered address of the shareholders through the post or by messenger.

Production of share certificate when applying for dividends.

21. The Directors may if they think fit call upon the shareholders when applying for dividends to produce their share certificates to the Secretary or any other person appointed by the Company.

Unclaimed dividend when to be forfeited.

22. Every dividend and bonus that may remain unclaimed for three years after having been declared, may be forfeited by the Directors for the benefit of the Company by passing a Resolution to that effect and may be carried by them to the Reserve Fund account. But the Board may, at any time thereafter if they think fit, as a matter of grace and favour, authorise the payment thereof to any claimant, who shall adduce a title thereto to the satisfaction of the Board.

VII. Personal Investment Scheme

Payment of bond amount and other fees and how bondholders are qualified for having loans.

23. In order to provide funds to the Life Insurance Department of the Company for lending moneys to its policyholders on joint security of their life policies and immoveable properties, any number of series of one lakh of bonds shall be issued from the Personal Investment Department of the Company in favour of those who are desirous of depositing Rs. 50 (either in lumpsum or by fifty monthly instalments of one rupee each) each with the Company free of interest for not less than 25 years, and the holders of the said bonds on completion of payment of Rs. 50 as well as Rs. 8/8 (Rs. 2 admission fee, Rs. 6 annual fee and As. 8 cost of bond) being other fees before the end of the previous calendar year, shall be entitled to loans of from Rs. 1,000 to Rs. 8,000 without interest and security repayable in 25 years by quarterly instalments of Rs. 10 per thousand as determined in the drawings to be held on the last day of every calendar year in the presence of a Magistrate as well as the Directors, available Shareholders and bondholders of the Company and also the Public as follows. But the names of the Bondholders who could not take up bonds or pay up their bond amounts fully before the end of the previous calendar year will be included in the drawing to be held in a year provided the payment of their full bond amounts and annual fees is made with an amount of interest at As. 4 per bond per month or part of the month from the 1st January of that year till the date of payment.

Example to show how drawing is held and loans are distributed when the number of bondholders is one lakh.

(*a*) **Example.** If there are one lakh of qualified bondholders in the Personal Investment Department of the Company on the first day of a calendar year, each of them will have paid to the Company Rs. 50 amounting to fifty lakhs on which three lakhs of rupees interest will accrue at 6% per annum during the said calendar year. Out of the names of one lakh of bondholders, only 200 names shall be drawn in the drawing of the said year, and the first and second drawn bondholders shall get loans of Rs. 8,000 and Rs. 4,000 respectively, while the remaining 198 drawn bondholders shall get Rs. 1,000 each amounting in all to Rs. 2,10,000 and leaving Rs. (3,00,000 minus 2,10,000) 90,000 as the net profit of the Personal Investment Department to the shareholders of the Company.

Bonds once drawn not to be drawn again.

Distribution of loans.

When the number of bondholders is less than one lakh.

24. The name of the bondholder once drawn shall not be included in the names to be drawn. If the number of qualified bondholders be less than one lakh on the first day of a calendar year, so many names as many five hundreds of qualified bondholders as will be on the said day, shall be drawn on the last day of that year considering the part of five hundred to be five hundred and all the drawn bondholders including the first and second shall get a loan of Rs. 1,000 each. If there is any part of five hundred, the last drawn bondholder shall get a loan of so many two hundreds of rupees as many hundreds of bondholders as will be in the said part of five hundred as follows :—

Example.

(*a*) **Example.** If there are 78,422 qualified bondholders on the first day of a calendar year, only 157 names shall be drawn as there will be 156 five hundreds complete and one five hundred incomplete and so, 156 drawn bondholders shall get a loan of Rs. 1,000 each while the last drawn bondholder shall get only Rs. 800.

One person to hold any number of bonds.

Bond amount and other fees payable either in lumpsum or by instalments.

25 Any person of sound mind can take any number of bonds in the Personal Investment Department of the Company without any restriction of caste, creed, sex or age but the bondholders below 18 shall be represented by their guardians. In case of bondholder who cannot pay the amount of bond as well as other fees in lumpsum, he shall pay Rs. 2-8-0 being the admission and stamp fees with his application and the amount of bond at one rupee per month for 50 months while the annual fee of Rs. 6 shall be paid at Rs. 1-8-0 per year only for four years. If any bondholder pays the bond amount in lumpsum either with the application or on allotment of bond, only half of the annual fees shall be recovered from him. The amount of bond can be paid quarterly, half yearly or yearly in advance according to the convenience of the bondholders. If either the monthly instalments or the annual fees on account of bond be not paid within the month or year (as the case may be) for which they fall due, the bond shall lapse to the Company and the name of the bondholder shall be struck off while the amounts paid shall be forfeited to the company in case the same is not got revived by the bondholder within three months from the date of default on payment of all arrears with a penalty of one anna per rupee per month.

When bonds forfeited and how revived.

Personal Investment Fund and sole charge of bondholders thereon.

26. A separate account shall be kept of all receipts in respect of the bonds to be issued from the Personal Investment Department and the said receipts shall be carried to and form a separate fund to be called the Personal Investment Fund of the Company and such fund shall be as absolutely the security of the Personal Investment bondholders as though it belonged to a company carrying on no other business than that of the Personal Investment and shall not be liable for any contracts of the Company for which it would not have been liable had the business of the Company been only that of Personal Investment.

Bond amount when repayable.

27. The amount of bonds of the qualified nondrawn bondholders shall be refunded at any time after 25 years at their option, while that of the drawn bondholders shall be refunded only after the loan amounts advanced to them are liquidated and the bonds of all the other non-drawn bondholders are drawn.

Profits to qualified bondholders.

28. The surplus amount of annual, admission and stamp fees to be recovered from the bondholders as well as the loan amounts to be repaid by the advanced drawn bondholders, after meeting the working expenses of the Personal Investment Department of the Company shall be distributed among all the qualified bondholders every year in form of profits.

Drawn bondholders to get their lives insured before receiving the loans.

29. All the advances shall be made to the drawn bondholders without interest and security but the Directors before making advances may at their discretion ask the bondholders to furnish any personal guarantee for the repayment of the loan in case the bondholders die before the repayment of the advanced loan, or to take up life policies in their names in the Life Insurance Department of the Company on payment of the first years' premiums to the extent of the amounts advanced and keep the

said policies deposited with the Company as security for the amount advanced so that the unpaid loan may be adjusted out of the assured amount and the balance paid to the heirs of the bond holders in case of their previous deaths.

Amount belonging to shareholders.

30. The surplus amount of interest accrued on the Personal Investment Funds of the Company after making the advances to the drawn bondholders every year as mentioned in Article No. 23 (*a*) shall belong to the shareholders of the Company.

VIII. Bonus and Loan Benefits to Shareholders

Bonus benefits to shareholders.

31. Rs. 20,000 out of Rs. 30,000 being interest (*i.e.*, two-thirds of interest accrued) on the paid up capital of five lakhs to be recovered from the Life Insurance Department of the Company, as mentioned in the Article No. 37 as well as 50 per cent. of the surplus amount of interest belonging to the shareholders in the Personal Investment Department as mentioned in Article No. 30 shall form the shareholders' Bonus Fund and the heirs of the shareholders that hold ten or more fully paid up shares each shall be entitled to a bonus of Rs. 500 on the death of each of the shareholders irrespective of the number of shares held by him or her (excepting those that hold one hundred and above fully paid up shares and whose heirs shall be entitled to a bonus of Rs. 1,000 each on their deaths) according to the rotation out of the said fund. If any deaths of the fully paid up shareholders have occurred subsequent to 1st January 1921 till now, the heirs of the said deceased shareholders shall be paid according to the rotation the amount of bonuses as soon as the above said shareholders' bonus fund permits.

Loan benefits to shareholders.

32. The remaining Rs. 10,000 out of Rs. 30,000 interest (*i.e.*, one third of interest accrued) on the paid up capital to be recovered from the Life Insurance Department of the Company shall form the shareholders' loan Fund and each of the fully paid up shareholders shall be entitled to the benefits of a Personal Investment bond per each ten shares held by him or her by inclusion of his or her name in the Annual drawings to be held among the qualified bondholders of the Personal Investment Department and also transferring every year the necessary amount out of the shareholders' loan fund to the Fund of Personal Investment Department allotted for payment of loans to the drawn bondholders. Each fully paid up shareholder shall pay bond fees of Rs. 8-8-0 per each ten shares he or she holds.

Example.

(*a*) **Example.** Each fully paid-up shareholder shall be given one number per each ten shares he or she holds while ignoring part of ten if any. If the total number given to all the shareholders be five thousand, these five thousand numbers shall be included in the annual drawings along with the numbers of the qualified bondholders of the Personal Investment Department and Rs. 10,000 (being the amount required by the Personal Investment Department for being advanced to ten out of five thousand), shall be transferred every year from the shareholders' loan fund to the Personal Investment Fund allotted for payment to the drawn bondholders, so that the drawn shareholders may get loans every year along with the drawn qualified bondholders. If the numbers given to the fully paid up shareholders be less than five thousand, the proportionate

amount shall be transferred to the Personal Investment Department from the Shareholders' Loan Fund. All the fully paid up shareholders shall be entitled to the profits along with the qualified bondholders as mentioned in Article No. 28. The Bonds that have already been issued to the fully paid up shareholders shall be treated hereby as cancelled and the amounts of the said bonds advanced against the said shareholders reversed.

Certificates to shareholders and transfer of their benefits.

33. The fully paid up shareholders shall not be given any policy or bond but certificates entitling them to the Personal Investment bond benefits and their heirs bonus on their deaths, shall be granted to them while mentioning therein the number given for the purpose of drawing. Re. 1 being the cost of certificate shall be recovered from each of the fully paid up shareholders in lieu of the cost of life policy. The transferee of any shares shall not be entitled to any benefits of the certificates concerned unless all the shares mentioned therein are transferred in whole.

IX. Investment of Funds

Banking account:

34. The Board shall cause the Banking account or accounts of the Company to be kept in the name of the Company with such Banker or Bankers as the Board from time to time determine and every sum paid on behalf of the Company amounting to Rs. 100-0-0 or upwards (except payments made from suspense account) shall be paid by cheque drawn on the Banker or Bankers of the Company and signed by the Managing Director of the Company and countersigned by the Chairman of the Board of Directors as well as by the Chairman of the Provincial Directors if any.

Suspense account with the Bank.

35. The Directors may, if they think fit, open an account with the Local Bankers of the Company to be called the "Suspense Account" and may place a sum not exceeding Rupees 1,000-0-0 to the credit thereof and may authorise the Managing Director and any other Person authorized by the Board to operate alone on such account for the purposes of the company and the Directors shall at each of their meetings examine and audit the suspense account and may if they think fit replace the amount which has been drawn from that account or so much thereof as they may deem expedient by transferring to that account from the general funds of the Company a sum of money equal to the amount which has been so drawn out, or by such other means as they think fit.

Authority of Board for payment.

36. No payment other than payment from the suspense account shall be made except on the authority of the Board or a Committee of the Directors.

Investment of other funds in the Life Insurance Department.

37. The Life Insurance Department of the Company shall receive the share and Personal Investment collection amounts and invest 40 per cent. of the paid up capital, and 25 per cent. of the Personal Investment Funds in the securities guaranteed by either the Government of India or the Government of Mysore in addition to 50 per cent. of the Life Assurance Fund while the remaining 60 per cent. of the paid up capital, and 75 per cent. of the Personal Investment Funds shall along with the remaining 50 per cent. of the Life Assurance Fund be utilized in granting loans to the life policyholders to the extent of the assured amount on joint security of their life policies and immoveable properties. The interest accrued on the paid up capital and the Personal Investment Funds invested in the

Government and other securities shall go to the Life Insurance Department which shall, in return, pay an interest at 6 per cent. on the said amounts to the shareholders' Funds and Personal Investment Department.'

Reserve Fund and its investment.

38. Fifty per cent. being the surplus amount of interest belonging to shareholders as mentioned in Article No. 30 shall be allowed to accumulate as the Reserve Fund of the Personal Investment Department while the amount of profits of the Life Insurance Department to be set apart as mentioned in the Article No. 14 (*c*) shall be the Reserve Fund of the Life Insurance Department. The amount of Reserve Funds thus formed shall be entirely invested in the Government Securities.

Appointment of Official Trustee.

39. After the maximum security deposit of Rupees 2,00,000 is furnished to the Government of India in compliance with the Insurance Act 1912 out of the paid up capital, the Government Securities to be purchased thereafter shall be held by the Official Trustee appointed for the purpose either by the Government of Mysore or by the Government of India.

Appropriation of Reserve Fund.

40. The Directors may from time to time apply the Reserve Fund (if any) or such portion of it as they may think fit, to meet contingencies or losses or for equalising dividends or for payment of bonuses either to shareholders or policyholders, or for repairing or maintaining the buildings and premises of the Company or any part thereof or for any purposes of the Company, which they may from time to time deem expedient.

Funds of one Province to be invested in the same Province.

41. The funds available in one Presidency or Province shall not be invested on security of immoveable properties in another Presidency or Province unless the General Board of Directors permit the same as a special case provided the funds so available in one Presidency or Province are not immediately required for being invested in that particular Presidency or Province. The constituents of the Company in a Province shall have preferential lien on the funds invested in the said Province. All the loans shall be granted to the policyholders on security of their immoveable properties in a place on the recommendation and responsibility of the local Directors of that place.

X. Accounts

Allotment of expenses.

42. All the expenses of the Company including establishment charges, allowances, etc., shall be shared equally between the Life Insurance and Personal Investment departments while the expenses specifically incurred for each of the said departments shall be borne by the respective departments themselves. If any of the buildings are purchased for the chief agency offices, the interest at 6 per cent. per annum on the amount invested on the same as well as on the Head Office buildings minus any rent realized shall be shared equally by both the departments.

Preliminary expenses.

43. Till the Commission and Brokerage is entirely written off, the forfeited shares amount as well as share premium shall be transferred to the profit and loss account every year while the same shall be transferred to the Reserve Account thereafter. If any of the constituents of the Company whose amount is or will be forfeited to the Company or who is or will be put to loss on account of the Company by whatsoever

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cause, is found to be poor and deserving consideration, the amount of loss thus sustained shall be refunded by the Manager at the Head Office on the recommendation of the Chief Agent of the respective Presidency or Province after obtaining the express approval of the Board of Directors of the Company, to the party out of the Reserve Fund of the Company.

XI. Policyholders' Meetings

Right of policy holder to vote.

44. Every person who shall have been assured by the Company on the profiit scale, either wholly or partly for the benefit of himself or his family by one or more policy or policies to the extent of Rupees 2,000 or upwards and which policy or policies shall have been in force for at least two years, shall be entitled to be present and to vote at any meeting of policyholders held under Article 44 of the Articles of Association provided that such person is in no way indebted to the Company in respect of such policy or policies.

When the meeting of policyholders to be held.

45. The Directors shall convene the first meeting of policyholders entitled under the last preceding article to vote at such meeting on the same day as but previous to the hour fixed for the Annual General Meeting of the shareholders of the Company to be held in the year 1925 and shall thereafter call a meeting of such policyholders on the same day as, but previous to, the hour fixed for every subsequent Annual General Meeting of the shareholders of the Company.

Election of policy holders' representative to be on Board and also an auditor.

46. The policyholders present in person and entitled to vote at any such meeting as in the last preceding article mentioned may elect as their representative on the Board of Directors any person who shall have taken out with the Company a policy or policies on the profit scale on the life of himself for the benefit of himself or that of his family of the aggregate assured value of Rupees 5,000 or upwards and which policy or policies shall have been in force for at least two years, and any Director so elected shall hold office until the next Annual Meeting of the policy holders. The policyholders may also at any such meeting as in the last preceding article mentioned elect an auditor who shall act in conjunction with the auditor to be appointed by the shareholders of the company in General Meeting under Article of these articles, but the said policyholders shall not be entitled to vote on any other question.

Votes of policyholders.

47. Each policyholder shall at such meetings as in Article 44 mentioned have one vote only both on a show of hands and at a poll.

Notice of meeting.

48. Fifteen days' notice of every meeting of policyholders shall be given by the Company to every policyholder qualified to vote at such meeting either by advertisement in a Newspaper published in Mysore and Madras or in writing sent either through the post or by messenger to each policyholder at the address given by him to the Company as his place of abode but the non-receipt of any such notice by any policyholder shall not invalidate the proceedings of the meetings.

Quorum.

49. The quorum at a meeting of policyholders shall be seven policyholders present in person and entitled to vote at the meeting.

Procedure in other respects.

50. The provisions contained in Table A. in the first Schedule to the Mysore Companies Regulation No. VIII of 1917 with respect to the

proceedings of general meetings of shareholders shall *Mutatis and Mutandis* and so far as the same are applicable be deemed to apply to proceedings at meetings of policyholders, and neither the Chairman of the Board of Directors nor the Directors present shall as such be entitled to vote but shall be entitled to vote if qualified to vote under Article 43 of these articles and the words 'shareholders' shall for the purposes of this Article be taken to mean 'Policyholders qualified to vote, and the power of the Chairman shall be exercised by the Chairman of the meeting of the policyholders.

By laws.

51. The Directors are hereby authorized to make By-laws in confirmity with this chapter to provide for cases and conditions not provided for herein.

XII. Directors

Number of Directors.

52. The number of Directors shall not be less than three and not more than nine including the policyholders' representative on the Board.

Present Directors.

53. The following four gentlemen being the first Directors of the Company shall continue to be the Special Directors on the General Board of the Company and not be subject to any rotation or retirement as detailed in their agreement with the Company.

1. M. P. Bhogiah Esq., B.A.. B.L. *Chief Court Advocate, Mysore.*
2. Dr. A. J. Ram, L.M.S., M.D. (E.H.) *Medical Practitioner, Mysore.*
3. L. Basappa, Esq., *Merchant and Contractor, Bangalore.*
4. M. L. Nagannah, Esq,

The abovesaid Directors can elect other Directors when found necessary and all acts *bona fide* done by them on behalf of the Company prior to the Registration of these Articles are hereby ratified and confirmed by the Company.

Qualification and remuneration of Directors.

54. The qualification of a Director elected by the shareholders shall be his holding and continuing to hold during his continuance in office at least fifty shares in the Company registered in his name and the remuneration of every Director, inclusive of any Director appointed by the policyholders, shall be rupees 25 for every meeting of the Board attended by them while the chairman of the Board shall be entitled to Rs. 5 extra for every meeting.

XIII. Powers of the Directors.

Powers of the Board.

55. The objects and business of the Company shall be carried out and managed by the Board who, in addition to the powers and authorities by the said Acts, or by these presents, expressly conferred upon them, may exercise all such powers, give all such consents, make all such arrangements and generally do all such acts and things as are or shall be by the said Acts or the Memorandum of Association or these presents directed or authorised to be exercised, given, made or done by the Company and are not thereby expressly directed to be exercised, given, made or done by the Company in General Meeting but subject nevertheless to the provisions of the said Acts and of these presents and subject also to such (if any) regulations as from time to time may be prescribed by the Company in

General Meeting, but no regulation made by the Company in General Meeting, shall invalidate any prior act of the Board which would have been valid if such regulation had not been made.

Express powers of Board.

56. Without prejudice to the general powers conferred by the last preceding clause and the other powers conferred by these presents the following powers and authorities are expressly given to and conferred upon the Board.

Preliminary expenses

(*a*) To pay out of the funds of the Company all fees, costs, charges and expenses which have been or shall be hereafter, incurred or sustained in or about the promoting or getting up, and establishing of the company and obtaining the capital or business in any manner in relation thereto.

Issuing policies.

(*b*) To grant, issue, and enter into any Policies of Assurance and any deeds or other instruments and any transactions for any purpose within the scope of the Company's powers in such form, to such effect, upon such terms, based upon such tables or calculations and in such manner as the Board may think fit, provided that no Director signing the same or other Director or shareholder be personally liable thereon.

Reinsurance.

(*c*) To reinsure in any other company or firm upon such terms as they think fit, the whole or any part of any amount or risk insured or undertaken by the Company.

Reviving altering and purchasing polices.

(*d*) To revive any policy, contract or, engagement that from any cause whatever, has become forfeited or void upon such terms as they may think fit and to effect such alteration, or variation in any subsisting policy, contract or engagement or in the terms and conditions thereof as they deem advisable, and to purchase or accept the surrender of any such policy, contract or engagement.

Lending to policy holders.

(*e*) To make advances upon such terms and conditions as they think fit to policyholders by way of loan or otherwise, on the security of their subsisting policies or immoveable properties or both.

Local Boards.

(*f*) To appoint local and provincial directors and agents in India and elsewhere on the terms as the Directors think fit, and to authorise them to accept assurances.

Foreign Business.

(*g*) To take all necessary steps for registering the Company in confirmity with the laws of any Foreign State or British Colony or Dependency and apply for and accept all statutes, laws or decrees of the Government or Authorities thereof necessary or expedient for enabling the Company to carry on business within the jurisdiction of such State or Colony or Dependency and for the purpose of transacting business or of getting the advantage of business transactions abroad, to form and carry on any subsidiary company, English, Colonial or Foreign and to subscribe for or purchase and hold or dispose of the whole or any part of the capital of such conpany and to use any subsidiary company as an agency or branch.

Formation expenses of such company.

(*h*) To pay out of the capital of any such company all fees, costs, charges and expenses which may be incurred, or sustained in connection with the promotion and registration of any such company in obtaining the capital or any such company in connection with any other matter relating thereto.

(*i*) To appoint, (except as in these articles is otherwise provided,) at their pleasure to remove or suspend any solicitor or solicitors, agent or agents, manager or actuary, or general manager, as well as branch or local or assistant managers, and local directors, and any secretary or secretaries, whether local or otherwise and such other officers, agents, clerks and servants either for permanent or temporary or special services as they may from time to time deem expedient for carrying on the business of the Company, and may determine their respective duties and powers, and may fix the amount of their respective salaries and emoluments whether by commission or otherwise and may pay the same out of the funds of the Company, provided always that they may, if they think fit, require security to be given by any such manager, actuary, officer, secretary, clerk, or servant before he shall enter upon the duties of his office in such an amount as they may deem sufficient to insure the faithful discharge of his duties and may pay gratuities not exceeding Rs. 1,000 in anyone case toany officer, clerk, or servant in the service of the Company for good conduct and service.

Appointment and removal of officers, agents etc.

(*j*) To enter in the name and for the purposes of the Company into such contracts as they may in the exercise of their discretion consider necessary including the accepting, making and negotiating of bills of exchange promissory notes or other similar obligations.

Entering into contracts

(*k*) To institute, conduct, defend, compromise, and abandon any legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the Company.

Legal proceedings.

(*l*) To refer to arbitration any claims or demands of or against the Company or any differences between the Company or the Board and other persons, and to perform and observe the awards therein or to contest the same if thought expedient.

Arbitration.

(*m*) To issue in their absolute discretion the whole or any part of the shares for the time being forming part of the capital of the Company as and when and subject to such terms and conditions, and either at par or at such premium, and to such person or persons, to the exclusion of any other persons or class of persons as the Board acting in pursuance of these presents, may deem it necessary, proper or expedient in any circumstances whatever.

Issuing Shares.

(*n*) To cancel or accept the surrender of any share or shares upon such terms and for such consideration or without consideration, as the Board shall, in the exercise of their discretion, think desirable but so that no such cancelling or surrender of shares shall authorise or amount to any purchase by the Company of its own shares.

Accepting surrender of shares.

(*o*) To purchase hire, rent, or otherwise acquire at any place whatever such lands, houses, and buildings as they consider advisable for the purposes of the Company and to pull down, remove, alter, and convert, any such houses or buildings and to fit up and furnish, and insure against loss by fire, all or any such houses or buildings with or without the fittings and furniture, and to let or demise or give possession of, the whole or any part of the same, whether fitted up or furnished or otherwise to such person or persons and upon such terms as to tenancy and occupation, as they consider advisable in the interests of the Company and the promotion or carrying on of its business.

Acquisitions of lands and buildings.

Mortgage and sale of property.

(*p*) To let, mortgage, sell, or otherwise dispose of any property of the Company either absolutely or conditionally and in such manner and upon such terms and conditions in all respects as they think fit, and to accept payment or satisfaction for the same in cash or in the Company's debentures or in fully paid up or other shares of the Company or partly in cash and partly in such debentures or shares or in such other manner, as the Board deem expedient.

Borrowing money.

(*q*) To raise or borrow money to an amount not exceeding one half of the nominal share capital for the time being of the Company for the purpose of the Company on the mortgage of its property or any part thereof or otherwise, and either including any part of the capital of the Company called or uncalled and either on any bond or debenture payable to bearer or otherwise or on any call or any of such securities and at such rate of interest and repayable in such manner and generally upon such terms as the Board shall think fit.

Payment of debts and claims.

(*r*) To pay and satisfy all debts due from and all liablities of and claims and demands against the Company.

XIV. Seal

The seal, its custody and use.

57. The Directors shall provide a common seal for the purpose of the Company and shall have power from time to time to destroy the same and substitute a new seal in lieu thereof, and the Directors shall provide for the safe custody of the seal for the time being, and the seal shall never be used except by the authority of the Directors or a committee of the Directors previously given.

Deeds, how executed.

58. Every share certificate and personal investment bond shall be signed by the Secretary or the manager and counter signed by any one of the other Directors of the Company while every life policy shall be signed by the Secretary or the manager and countersigned by two Directors provided that no officer signing the same be personally liable therein.

XV. Notices

Service of notice.

59. Seven clear days notice at the least of every general meeting ordinary or extraordinary shall be given either by advertisement in a newspaper in each province where the chief agency or the branch of the Company is established or in writing sent either through the post or by messenger to each shareholder at the address given by him to the Company but the non-receipt of any such notice by any shareholder shall not invalidate the proceedings of the meetings.

Notices by Company and signature thereto.

59*a*. Any notice to be given by the Company shall be signed by the manager or by such other officer as the Directors may appoint and the signature thereto may be written printed or lithographed. The quorum at a meeting of the shareholders shall be Seven present in person or by proxy or by attorney and entitled to vote at the meetings.

XVI. Indemnity and Responsibility

Directors' and others' ights to indemnity.

60. Every Director, Manager and other officer or servant of the Company shall be indemnified by the Company against, and it shall be the

duty of the Directors, out of the funds of the Company to pay all costs, losses and expenses which any such officer or servant may incur or become liable to by reason of any contract entered into or act or deed done by him as such officer or servant, or in any way in the discharge of his duties, including travelling expenses and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Company and have the priority as between the members over all other claims.

Not responsible for acts of others.

60*a*. No Director, Manager, or other officer of the company shall be liable for the acts, receipts, neglects or defaults of any other director or officer, or for joining to any receipt or other director or officer, or for joining in any receipt of any other act for conformity or for any loss or expense happening to the Company through the insufficency or deficiency of title to any property accquired by order of the directors for or on behalf of the Company or for the insufficiency of title to any property) or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortuous act of any person company or corporation with whom any moneys securities or effects shall be entrusted or deposited or for any loss occassioned by an error of judgement or oversight on his part or any other loss damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto unless the same happen through his own dishonesty.

SCHEDULE

Articles of agreement made and entered into this Thirtieth day of April 1922 between the Mysore Government Security Life and Marriage Assurance Company Ltd., a company registered under the Mysore companies regulation and with its registered office situated in Mysore (hereinafter called the company) of the one part and the present four directors, viz. 1. Mr. M. P. Bhogiah, B.A., B.L., Advocate, Mysore; 2. Dr. A. J. Ram, L.M.S., M.D. (E.H.) Medical Practitioner, Mysore; 3. Mr L. Basappa, Merchant and Contractor, Bangalore and 4. Mr. M. L. Nagannah, Mysore (hereinafter called the special directors of the company), their successors and assigns, of the other part; whereas by the articles of association of the company the present agreement is authorized to be executed and it is hereby mutually agreed by and between the parties hitherto in manner following :—That is to say

1. The said special directors shall be the directors of the said company for a period of 25 years from this date and thereafter until they of their own free will resign, and it is expressly agreed and declared by and between the parties that the appointment of the abovenamed directors shall not during the continuance of this agreement be revoked or cancelled on any ground or for any reason whatsoever save and except upon their being found guilty of any fraud or misconduct in the discharge of their duties, as such directors.

2. The remuneration of such gentlemen as directors shall be as follows :—

(*a*) In addition to the meeting fees allowed as per Article No. 54, of the articles of association, Mr. M. P. Bhogiah and Mr. M. L. Nagannah shall be each entitled to a commission of one per cent, Mr. A. J. Ram and Mr. L. Basappa shall be entitled to a commission of three fourth per cent. and quarter per cent, respectively on all kinds of gross collections made by the company in its Life Insurance and Personal Investment Departments.

(*b*) Mr. M. L. Naganna shall be the manager, getting an allowance of (Rs. 250) rupees two hundred and fifty a month, and Mr. M. P. Bhogiah and Mr. A. J. Ram, in addition to their powers of management, shall be legal and medical advisers of the company, getting an allowance of one hundred and twenty-five rupees (Rs. 125) and Rupees one hundred (Rs. 100) a month respectively. These allowances may be enhanced as circumstances deem fit by the Board of Directors or by the general meeting of the company.

3. In the event of the said company being wound up at any time for the purpose of and with the object of transferring its business to another company the said company shall make one of the terms and stipulations of their agreement for the transfer of their property in business to such other company as aforesaid, that such other company shall appoint the above mentioned four directors (or such of them as may consent) to be on the directorate of such new company and with like powers and authority to them and at the same time and conditions as to remunerations, emoluments and otherwise, as are herein contained; it is hereby expressly agreed and declared, that save and except such commission and stipulation, as one of the sale and transfer thereof, the said company will not sell and transfer their business to any other company.

In witness whereof, the common seal of the Mysore Government Security Life and Marriage Assurance Company Ltd., and the hands of Mr. M. P. Bhogiah, Mr. A. J. Ram and Mr. L. Basappa and Mr. M. L. Nagannah the aforesaid promoters have been due unto affixed the day and year above written, The common seal of the Mysore Government Security Life and Marriage Assurance Company Ltd., to be hereunto affixed pursuance to the resolution of the Board of Directors passed at a meeting of the Board held on the—day of—1922.

WESLEYAN MISSION PRESS, MYSORE.

Proceedings of the Extraordinary General and Confirmatory Meetings of the Shareholders of the Mysore Government Security Life and Marriage Assurance Company, Ltd., Mysore, held on 3rd and 4th July and 19th July, 1922, respectively, in the Registered Office of the Company.

The following amendments (additions and omissions) to the present Resolutions in the Articles of Association of the Company were passed unanimously :—

1. That one Director from Central India to be selected by the Chief Agents in consultation with the Shareholders there.

2. To form a Sub-Committee to get through ordinary business of the Company, and the Proceedings of the Committee to be circulated amongst other Directors for information. All important matters should be placed before the General Board of Directors. The Agenda of every meeting to be circulated among all the Directors for their information. All the Directors are to meet not less than twice in a year.

3. To confirm the election of the Provincial Directors in all Chief Agencies where there are no such Provincial Directors, and their Resolutions to be submitted to the Head Office for the information of the General Board of Directors. Rs. 10 per each Provincial Director for every meeting to be paid as Conveyance Allowance, and there should not be more than four meetings in a year, and five per cent. of the net profits to be distributed among all the Provincial Directors. Provincial Directors to be elected by the Shareholders of that Province or Presidency, in modification of Article No. 56 (*f*).

4. For the fully paid-up Shareholders, death having occurred, Bonus Policy is to be issued as already mentioned in Article No. 31, and the claim is to be registered and the same is to be paid as soon as the funds permit, according to rotation.

5. The shares of those Shareholders whose shares were forfeited in the past should be reallotted as soon as the shares are available, with a penalty of Rupee one.

6. The Directors of the Company shall get the Regulations Nos. 16, 18, 20 omitted (*a*) 21, 22 and 23 in the Table marked "A" in the First Schedule to the Mysore Companies Regulation No. VIII of 1917, printed in a leaflet and attached to the copies of the present Articles of Association.

7. That the following be added to the Article No. 5 after the last word defaulter : "and unless a Registered notice is given to the defaulter to pay up the arrears within a fortnight from the date of the receipt of the Notice by him, along with an interest at five per cent. per annum charged as penalty for the period under default."

8. Add to the Article No. 10 : "The loans to Shareholders on the security of their immoveable properties shall also be granted only after the full security of Two Lakhs of Rupees are furnished to the Government of India and sufficient funds are available."

9. Drop the following words in Article No. 20 beginning from "Either by Advertisement . . . opened or."

10. Add in the Article No. 29, after the words "but the," the words "Provincial or Local Directors," as the case may be, in place of "Directors."

11. Add, in the Article No. 33, second line, after the word "but," the word "separate"; and in the third line, after the word "deaths," "respectively"; and in the fourth line drop the word "while"; and after

the word "mentioning;" substitute "in the Bond Certificate" for the word "therein." In the fifth line, after the word "of," add the word "bonus."

12. In the Article No. 34 drop the words "if any," and add "or in his absence the Chief Agents of the Province."

13. Add, in the Article No. 37, after the words "immovable properties" in the tenth line, the words, "as well as to the Shareholders, on security of their immovable properties."

14. Add, in the Article No. 41, after the words "said Province" in the seventh line, the words, "as also on the amount of the securities lodged with the Government of India and the Government of Mysore from the funds of that Province"; and in the eighth line, after the word "Policyholders," add "or Shareholders"; and the words in the tenth line, after the word "the," add the words "Province or"; and the words "as the case may be" after the word "place."

15. In the Article No. 48, in the third line drop the words "either by advertisement . . . up to Madras or."

16. In the Article No. 53, in the first line substitute the word "three" for the word "four"; and the fourth name to be dropped.

17. In the Article No. 54 add at the end, "and all the Directors of the Board will be entitled to seven per cent. of the net profits of the Company."

18. In the Article No. 59 substitute "15" for "7"; and drop "either by advertisement . . . established or."

19. Substitute the following in Article No. 56 (*f*) and (*i*):—

(*f*) "To confirm the election of the Local and Provincial Directors, and to authorize them to accept Assurances and to appoint Agents in India and elsewhere, on the terms as the Directors think fit."

(*i*) Take away words "at their pleasure" in the second line, "Actuary" in the third line, and "Local Directors" in the fourth line.

20. Resolved that the present Chief Agents, District Superintendents and Agents shall be the Chief Agents, District Superintendents and Agents, respectively, of the said Company for a period of six years from this date, and thereafter until they of their own will resign, and that the appointment of the abovenamed Chief Agents, District Superintendents and Agents shall not, during the continuance of this period, be revoked or cancelled on any ground or for any reason whatsoever, save and except upon their being found guilty of any fraud or misconduct in the discharge of their duties as such officers; that the terms of their appointments shall continue to be the same as agreed to by them in their applications, and the Company at the time of their appointment.

Resolved and confirmed unanimously that the Schedule of Agreement, passed in the Extraordinary General Meeting held on 3rd and 4th July, 1922, is hereby dropped; and the Schedule of Agreement contained in the previous Articles of Association passed and confirmed on 30th April and 15th May, 1922, respectively, be kept in abeyance till next General Meeting of the Company.

M. P. BHOGIAH,

Chairman.

OM

IN YOUR COMMUNICATION PLEASE QUOTE THE NO. OF THIS LETTER.

Tel. Address: "PIONEER," Mysore.

MYSORE GOVERNMENT SECURITY
LIFE AND MARRIAGE ASSURANCE COMPANY, LIMITED, MYSORE

Head Office: MYSORE (S. India)

REVENUE SECRETARIAT 12 JUN 1923 INDUSTRIES & COMMERCE BRANCH.

No. 969.

Life & Marriage Assurance Buildings,

Dated, 9th June 1923.

42204

REVENUE SECT. 11 JUN 1923

To

The Chief Secretary

to the Government of His Highness the Maharaja

of Mysore, Bangalore.

Dear Sir,

In inviting your kind attention to this office No. 6688 dated 29th ultimo requesting you to kindly depute any of the Magistrates at Mysore to be present at the time of the drawing to be held for determining the names of the persons that are to get the loans, we beg to inform you that we have not yet been favoured with any orders and so request you to kindly issue the prayed for orders at your earliest convenience as a meeting of the shareholders of the company will be held on the 19th instant for fixing the date and place for holding the first drawing under our Personal Investment Scheme a copy of the prospectus of which has been already submitted to you for your kind perusal.

Begging to be kindly excused for the trouble and thanking you in anticipation,

We beg to remain,

Sir,

Your most obedient servants,

Managing Director.

The previous communication of the Company has been referred to the Protection Branch. This may also be sent to that Branch, if approved

12.6.23 13.6.23 13/6.

Acknowledge this & say that the matter is under consideration & orders will be issued

13/6

G. R. S. III-2]

General and Revenue Secretariat.	File No.	of 19

Serial No.

Draft submd

Cup 13.6.23

Issue VS 13.6.23

Dc 7646 Q 14.6.23

To

The Managing Director

Mysore Government Life and Marriage Assurance Company Ltd Mysore

Acknowledges the receipt of letter Q.P.6.23 in the matter

This may perhaps now be sent to the Protection Branch

Cup 16.6.23 VS

16/6

The main file and duplicate having been returned to the Dc Br on 16.6.23, this is also returned

Ans Off

GEN. & REVENUE SECTT.
2 JUL 1923
INDUSTRIES & COMMERCE BRANCH

NOTE—Contn. sheet.

G. R. S. VI—G/32]

SUBJECT.....

.....

.....

Diary No. of letter replied to.....

General and Revenue Secretariat

( )

, *the* *191* .

Date of issue 14/6/23

Signed by Asst Secy R Rao.

Section

File No.

Serial No:

No. G.C. 7646

To

The Managing Director,

Mysore Govt. Security Life & Marine

Assurance Co. Ltd.

Mysore.

Dear Sir,

I am directed to

acknowledge receipt of your

letter No 9619 dated 9th June 1923

regarding the deputation of

a Magistrate to be present at

the time of the drawing to be

held by the Company.

over.

and
~~directed to~~ State
~~Secy~~ in reply that
the matter is receiving attention
and that ~~of~~ orders of Government
should be awaited.

Yours faithfully

13.6.23.

~~For Rev Secretary to Govt~~

Cop

List of enclosures.

Copied by

Examined by

In Your Reply, please Quote the Reference of This Letter

॥ ३० ॥

Tel. Address: "PIONEER," MYSORE.

MYSORE GOVERNMENT SECURITY

LIFE AND MARRIAGE ASSURANCE COMPANY, LIMITED, MYSORE.

Head Office: MYSORE (S. India).

Life & Marriage Assurance Buildings

426.3

No. 9784

CHIEF SECRETARIAT 15 JUN 1923 INDUSTRIES & COMMERCE. BRANCH.

FILE JUN 1923

14th June 1923

The Chief Secretary
to the Government of His
Highness the Maharaja of
Mysore, Bangalore.

Dear Sir,

In continuation of our letters Nos. 6688 & 9619 dated 29th ultimo and 9th instant respectively, we beg to send herewith a copy of the opinion of Mr. K.Shankara Narayana Row, Government Advocate, Bangalore, as regards the legality of our Personal Investment Scheme detailed in our previous letter, and request you to kindly comply with our request made therein.

Begging to be kindly excused for the trouble and thanking you in anticipation,

We have the honor to b

S i r,

Your most obedient servant,

Managing Director.

DIARY NO 6749

19	19
Section.	
File No.	
Serial No.	

Om.

O P I N I O N.

The question referred to me for opinion is whether the holding of the drawings in the manner prescribed by article 23 of the Articles of Association of the Mysore Government Security Life and Marriage Assurance Company Ltd., Mysore, is opposed to the provisions of any Law.

The Personal Investment Scheme referred to in Articles 23-30 is an arrangement whereby money is collected from people who are willing to deposit Rs. 50/- each (either in a lump-sum or by instalments) free of interest for a period of not less than 25 years, for the purpose of -- providing funds to the Life Insurance Department to enable the company to lend money to its policyholders on the security of their Life Policies and immoveable properties.

Art. 23 provides that such persons who have completed payment of the sum of Rs. 50/- (and to whom a Bond will be issued for that amount) shall be entitled to loans of from Rs. 1,000/- to 8,000/- without interest and security, repayable in 25 years by quarterly instalments of Rs. 10/- per thousand. These loans are to be advanced from the interest accruing on these bonds during the year, 7/10 of the total interest being set apart for this purpose, the remaining 3/10 of the interest being made available as the net profit of the Personal Investment Department to the share - holders of the company. The names of the Bond holders to whom these loans without interest are promised are to be ascertained by drawings (by lot of course) to be held on the last day of every calendar year in the presence of a Magistrate, Directors etc. The amounts to be lent out and the number of loans available during the year depend upon the numbers of bonds, fully paid up during the year.

Article 24 provides that the name of the bondholder once drawn - shall not be included in the names to be drawn in the following year. Under such an arrangement, assuming that there are 1,00,000 of bond-holders in any year, only 200 persons will be entitled to loans. Of these, the 1st and the 2nd drawn holders will get Rs. 8,000/- and 4,000/- respectively and the remaining 198 Rs. 1,000/- only and as this selection is made by drawing lots, it has to be admitted that there is a certain degree of uncertainty and chance, and the point for consideration is whether this is the nature of a lottery.

In Kamakshi Achar Vs Appavu Pillay (1 M H C R 448), it was held that "lotteries ordinarily understood are games of chance in which the event of either gain or loss of the absolute right to a prize or prizes by the person concerned is made wholly dependent upon the drawing or casting of lots, and the necessary effect of which is to beget a spirit of speculation and gaming that is often productive of serious evils". What determines the true characteristic of a lottery is that the subscriber parts with a certain sum of money in the hope of getting a very large sum of money or its equivalent absolutely, being prepared at the same time to lose whatever he has paid. Indeed, it is a game of chance in which a few benefit at the expense of the many.

Applying the above tests to the case under consideration, I find that there are several elements in this Scheme which have the effect of removing the taint which ordinarily attached to lotteries. They may be summarized as follows:--

(1) The Scheme which has evidently been prepared after careful consideration has been accepted by the Registrar of Joint-Stock Companies.

(2) The Bond holder does not lose his money but is entitled to get back the amount after 25 years.

(3) The amount advanced to the bond-holder successful at the drawing is not given absolutely as in cases of lottery, but is given by way of loan returnable in instalments.

(4) Though he does not get the full amount of interest, he does participate in a portion thereof, as, under article 28, the surplus amount of annual admission and stamp fees as well as the amounts to be repaid by the bond-holders to whom such loans are granted, is to be distributed among all the qualified bondholders every year in the form of profits.

(5) Provision is made in Article 24 for not including the names of those bondholders to whom loans are given in the next year's list which has the effect of giving other bondholders also an opportunity of getting

of getting loans.

(6) Though it is made to appear that the loans are given -- without security, discretion is given to Directors under Art. 29 to call upon the parties to give personal guarantees or to take up life policies and to deposit them as security.

From the above, it is clear that ~~it~~ it is only a case of a -- loan of a portion of the interest accruing on the fund collected by the issue of bonds to a certain (though small) number of subscribers in turn, without interest. The bond-holders are entitled not only to the return of the full amount of principal but also the repaid loan amounts by way of profit or interest on their investment.

This view is supported by the case of John Wallingford Vs the Director of the Mutual Society (Vol. VI Appeal Case P.685) in which the House of Lords held that a society constituted (avowedly) for the benefit of its members, making certain of them entitled to particular benefits by the process of periodical drawings, did not come within the Lottery Acts. In that society "appropriation" or advance was to be made "according to the number of certificates held by the member successful in obtaining the appropriation". By Art. 27, it was declared that "appropriations shall be allotted in two ways, the first and every fourth one thereafter, by drawing free of any premium or interest, while those intermediate shall be allotted to the member or members tendering the highest premium for the same respectively." All appropriations were to be repaid by equal quarterly payments extending over 20 years from the -- advance.

Their Lordships unanimously held that the articles did not offend against the provisions of the Lottery Acts.

What are usually known as "Kuri" and "Chit funds" and Mutual Benefit" and "loan" societies are also worked on similar lines and in all such cases it has been held by the Madras High Court that

no illegality is involved (Vide 1 M.H.C.R. 448 and I.L.R. 22 Madras 212)

While, therefore, maintaining that there is a certain element of chance involved in the matter of selection of bondholders for -- giving loans, I consider that the circumstances set forth above take the case out of the category of lottery.

Sd. K.Shankar Narayan Rao,
Advocate.

Bangalore,
Dated 11th June 1923.

The above copy of the opinion of the Government Advocate, Bangalore, forwarded to all the Directors, and Chief Agents of the Company with intimation that the first drawing of the last year will be held on the 20th June 1923 with the sanction of the shareholders in their meeting to be held on the 19th idem.

THE MYSORE GOVERNMENT SECURITY LIFE & MARRIAGE ASSURANCE CO., LTD. No. 2766-23 Date 14-6-1923. MYSORE.

Secretary 14/6/23.

In Your Reply, please Quote the Reference of This Letter

|| 30 ||

Tel. Address: "PIONEER," MYSORE.

MYSORE GOVERNMENT SECURITY,

LIFE AND MARRIAGE ASSURANCE COMPANY, LIMITED, MYSORE.

Head Office: MYSORE (S. India).

Life & Marriage Assurance Buildings

42.03 SECRETARIAT 16 JUN 1923 INDUSTRIES & COMMERCE BRANCH.

No. 9814 Date 15th June 1923

To

16 JUN 1923

The Chief Secretary to the Government of His Highness the Maharaja of Mysore,

Bangalore.

Dear Sir;

In continuation of our letter No. 9784 of yesterday's date, we beg to submit herewith a copy of the opinion received from Rao Sahib K.Subbayya, Government Advocate, Mercara, regarding the legality of our Personal Investment Scheme referred to in our previous letters.

Soliciting an early acknowledgment thereof and thanking you in anticipation,

We have the honor to be,

S i r;

Your most obedient servant

Managing Director.

DIARY NO 1552

13 . 1

ction.

File No.

Serial No.

Om.

Opinion given by Rau Sahib K. Subbayya, Government Advocate, Mercara, to the Managing Director, the Mysore Government Security - Life & Marriage Assurance Company, Limited, Mysore, re. the legality of the Personal Investment Scheme launched out by the said Company.

--------::0::--------

I am in receipt of your letter dated 29-5-23, No. 6687 requesting me to express my opinion on the legality or otherwise of your -- Personal Investment Scheme as contained in paras 23 to 30 both inclusive, of your Articles of Association and after going over the papers on the subject forwarded to me along with your letter and carefully considering the case-law pertaining to the same, I give my - opinion herein below.

The main feature in a lottery is its members' speculation. They subscribe with a view to get a prize and with a knowledge that if they fail to get a prize they should lose wholly what they subscribe. They take the chance and risk their money. Courts of law in India do not give countenance to such transactions as opposed to law.

But your scheme is clear and plain enough. It is meant to avoid the difficulty of deciding who should be preferred or selected to receive loans each year from the numerous applicants--bondholders. If the directors are given the power of selection, the unlucky bondholders are likely to impute motives to them; and it is quite impossible for any one to expect that each year the bond-holders themselves will settle among themselves as to who should get and who should not get loans, as sue each bondholder will naturally vie with the other to have the preference.

In your scheme, the subscription of each bondholder is his bond amount which is never lost or risked. Because the subscriber knows that it will and must return to him due day or other, sooner or later and that too with some dividend. Further the bondholder who gets the loan does not get it as a prize. He has to repay it. His only consolation or satisfaction is that he has a long period to pay it

back and that he has to pay it in small instalment-amounts and further that it carries no interest.

Thus it will be clear that in your scheme or transaction there is no risk, speculation or uncertainty. The amount of loans advanced is not any one's capital or fund but is the interest accrued on the common fund of all the bond-holders. Consequently, I fail to find any-thing in the whole arrangement or scheme that savours of lottery or offending against S.294 A of the Indian Penal Code, or any provision in the Indian Contract Act.

Sd. K. Subbayya.

"True Copy"

Secretary,
Mysore Govt. Security Life & Guarantee Assurance Co., Ltd., Mysore.
15-6-23.

IN YOUR COMMUNICATION PLEASE QUOTE THE NO. OF THIS LETTER,

OM

5 1 Leg

Tel. Address— "PIONEER," Mysore.

MYSORE GOVERNMENT SECURITY
LIFE AND MARRIAGE ASSURANCE COMPANY, LIMITED, MYSORE

Head Office: MYSORE (S. India)

No. 9850
3 DIARY 10 5688

Life & Marriage Assurance Buildings,

Dated, 16th June 1923.

To
The Dewan Sahib
Section.
to the Government of His Highness the Maharaja
Bill No.
of Mysore, Bangalore.
Serial No.

GEN. & REV. SECRETARIAT
19 JUN 1923
INDUSTRIES & COMMERCE BRANCH.

Dear Sir,

As we are informed by Mr. A. D. Gloria, Barristar-at-Law, one of our Directors at Hyderabad (Decn), that he has addressed to you a letter on the 8th instant as regards our Personal Investment Scheme and also on the present affairs of our Company, we beg to submit herewith most respectfully a copy of our letter dated this day addressed to him as well as a copy of our Personal Investment Scheme prospectus along with the copies of the opinions of the Government Advocates at Bangalore and Mercara regarding the legality of the said scheme, for your kind perusal.

Soliciting an acknowledgment thereof at your earliest convenience and thanking you in anticipation,

We have the honor to be,

S i r,

Your most obedient servants,

Managing Director.

Forwarded to the Rev Dept (Judicial Branch) to which previous papers regarding the Co have been transferred.

NOTE—Contn. sheet.

Om.

To

A. D. Gloria, Esq., B.A., B.T., L.L.B. (Lond), Barrister-at-Law,

H y d e r a b a d (Dn).

Dear Sir,

Your kind favour dated 8th instant.

Before I reply your above letter, I am glad to observe that you have at last conceded that the Indian Life Assurance Companies Act 1912 does apply to our company and we have to submit our Balance Sheet as on 31st December 1922 within six months from that date- (i.e. before the end of this month) in compliance with the provisions of Section 11 of the said Act, though our company has been started in Mysore. You are quite right in saying that a Balance Sheet can be submitted either to the Registrar of Companies or to the Governor General in Council whether it is adopted or not after consideration by the shareholders in their General Meeting, but it is not correct to presume that our abovesaid Balance Sheet is not adopted by the shareholders in their last meeting held on the - 29th April 1923 at Madras owing to the fact that the shareholders did not at all consider the Balance Sheet on that day but on the contrary the consideration and adoption of the same were deferred to the next meeting as evidenced by the Proceedings of the above-said Meeting of the shareholders. You will, therefore, agree - with me if I say that it is absolutely necessary that our Balance Sheet should be placed before the shareholders for their consideration and declared by them as adopted or not-adopted in their next meeting before it is submitted to the Governor General in - Council.

As regards your suggestion that the submission of the above Balance Sheet to the Governor General in Council may be deferred till after the Second Sunday in July next on the ground that the shareholders

with Ref to your Investment Scheme I am directed to state that Government regret in any manner associate themselves with the working of the Company and that they are unable to comply with your request.

Yours faithfully

14.7.23

for Rev. Secretary to Govt

17/7

ew

List of enclosures.

Copied by

Examined by

G. R. S. VI—G/32]

SUBJECT

Diary No. of letter replied to

General and Revenue Secretariat

( )

the 191

Date of issue 19/7/23

Signed by Jwr Secretary

Section Gen C.

File No. 45-22

Serial No 70

Do No. JC 360

To

The Managing Director,

The Mysore Govt. Security Life

and Marriage Assurance Co Ltd

Mysore

Dear Sir,

With reference to your

letter No 6688 dated 29th May 192

with reg requesting that a

Magisterial Officer may be deputed

to be present at the drawing

to be held by your Company

in connection with the Personal

over.

G. R. S. V1—G/32]

70-

SUBJECT.....

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.....

Diary No. of letter replied to.....

General and Revenue Secretariat
( )
, the *191* .

Date of issue 19/6/23

Signed by Sri J. Appaji Gowda.

Section
File No.
Serial No.

No. J. C. 7739

To The Managing Director
The Mysore Govt. Servants Life Insurance
Co Ltd.

Dear Sir,

I am directed to acknowledge receipt of your letters Nos 9784 and 9814 dated dated 14th & 15th June respectively forwarding the opinions of the Govt. Advocate of Mysore and Mercara regarding your Personal Investment Scheme.

Yours faithfully

over.

18.6.23

For Rev. Secy to Govt

Opinion given by Rau Sahib K. Subbayya, Government Advocate, Mercara, to the Managing Director, the Mysore Government Security - Life & Marriage Assurance Company, Limited, Mysore, re. the legality of the Personal Investment Scheme launched out by the said Company.

--------::0::--------

I am in receipt of your letter dated 29-5-23, No. 6687 requesting me to express my opinion on the legality or otherwise of your -- Personal Investment Scheme as contained in paras 23 to 30 both inclusive, of your Articles of Association and after going over the papers on the subject forwarded to me along with your letter and carefully considering the case-law pertaining to the same, I give my - opinion herein below.

The main feature in a lottery is its members' speculation. They subscribe with a view to get a prize and with a knowledge that if they fail to get a prize they should lose wholly what they subscribe. They take the chance and risk their money. Courts of law in India do not give countenance to such transactions as opposed to law.

But your scheme is clear and plain enough. It is meant to avoid the difficulty of deciding who should be preferred or selected to receive loans each year from the numerous applicants--bondholders. If the directors are given the power of selection, the unlucky bondholders are likely to impute motives to them; and it is quite impossible for any one to expect that each year the bond-holders themselves will settle among themselves as to who should get and who should not get loans, as sue each bondholder will naturally vie with the other to have the preference.

In your scheme, the subscription of each bondholder is his bond amount which is never lost or risked. Because the subscriber knows that it will and must return to him ~~due~~ one day or other, sooner or later and that too with some dividend. Further the bondholder who gets the loan does not get it as a prize. He has to repay it. His only consolation or satisfaction is that he has a long period to pay it

back and that he has to pay it in small instalment-amounts and further that it carries no interest.

Thus it will be clear that in your scheme or transaction there is no risk, speculation or uncertainty. The amount of loans advanced is not any one's capital or fund but is the interest accrued on the common fund of all the bond-holders. Consequently, I fail to find any-thing in the whole arrangement or scheme that savours of lottery or offending against S.294 A of the Indian Penal Code, or any provision in the Indian Contract Act.

Sd. K. Subbayya.

"True copy"
Secretary.
16/6/23.

67

Their Lordships unanimously held that the articles did not offend against the provisions of the Lottery Acts.

What are usually known as "Kuri" and "Chit" funds and "Mutual Benefit" and "loan" societies are also worked on similar lines and in all such cases it has been held by the Madras High Court that no illegality is involved (Vide 1 M H C R 448 and I L R 22 Madras 212)

While, therefore, maintaining that there is a certain element of chance involved in the matter of selection of bond-holders for giving loans, I consider that the circumstances set f forth above take the case out of the category of lottery.

Bangalore,
Dated 11th June 23.

Sd. K.Shankar Narayana Rao,
Advocate.

"True Copy"

16/6/23.
Secretary.

56

granted, is to be distributed among all the qualified bondholders every year in the form of profits.

(5) Provision is made in Article 24 for not including the names of those bondholders to whom loans are given in the next year's list which has the effect of giving other bondholders also an opportunity of getting loans.

(6). Though it is made to appear that the loans are given -- without security, discretion is given to Directors under Art. 29 to call upon the parties to give personal guarantees or to take up life policies and to deposit them as security.

From the above, it is clear that ~~it~~ it is only a case of a loan of a portion of the interest accruing on the fund collected by the issue of bonds to a certain (though small) number of subscribers in turn, without interest. The bond-holders are entitled not only to the return of the full amount of principal but also to the repaid loan amounts by way of profit or interest on their investment.

This view is supported by the case of John Wallingford Vs. the Director of the Mutual Society (Vol. VI Appeal Case P. 685) in which the House of Lords held that a society constituted (avowedly) for the benefit of its members. making certain of thementitled to particular benefits by the process of periodical drawings, did not come within the Lottery Acts. . In that society "appropriation" or advance was to be made "according to the number of certificates held by the member successful in obtaining the "appropriation". By Art. 27, it was declared that "appropriations shall be allotted in two ways, the first and every fourth one thereafter, by drawing, free of any premium or interest, while those intermediate shall be allotted to the member or members tendering the highest premium for the same respectively". All appropriations ~~xx~~ were to be repaid by equal quarterly payments extending over 20 years from the advance.

these, the 1st and the 2nd drawn holders will get Rs 8,000/- and 4,000/- respectively and the remaining 198 Rs 1,000/- only and as this selection is made by drawing lots, it has to be admitted that there is a certain degree of uncertainty and chance, and the point for consideration is whether this is the nature of a lottery.

In Kamakshi Achar Vs Appayu Pillay (1 M.H.C.R.448), it was held that "lotteries ordinarily understood are games of chance in which the event of either gain or loss of the absolute right to a prize or prizes by the person concerned is made wholly dependent upon the drawing or casting of lots, and the necessary effect of which is to beget a spirit of speculation and gaming that is often productive of serious evils". What determines the true characteristic of a lottery is that the subscriber parts with a certain sum of money in the hope of getting a very large sum of money or its equivalent absolutely, being prepared at the same time to lose whatever he has paid. Indeed it is a game of chance in which a few benefit at the expense of the many.

Applying the above tests to the case under consideration, I find that there are several elements in this Scheme which have the effect of removing the taint which ordinarily attached to lotteries. They may be summarized as follows:--

(1). The Scheme which has evidently been prepared after careful consideration has been accepted by the Registrar of Joint-Stock Companies.

(2) The Bond holder does not lose his money but is entitled to get back the amount after 25 years.

(3). The amount advanced to the bond-holder successful at the drawing is not given absolutely as in cases of lottery, but is given by way of loan returnable in instalments.

(4) Though he does not get the full amount of interest, he does participate in a portion thereof, as, under article 28, the surplus amount of annual admission and stamp fees as well as the amounts to be repaid by the bond-holders to whom such loans are

O P I N I O N.

The question referred to me for opinion is whether the holding of the drawings in the manner prescribed by article 23 of the Articles of Association of The Mysore Government Security Life and Marriage Assurance Company Ltd., Mysore, is opposed to the provisions of any Law.

The Personal Investment Scheme referred to in Articles 23-30 is an arrangement whereby money is collected from people who are willing to deposit Rs. 50/- each (either in a lump-sum or by instalments) free of interest for a period of not less than 25 years, for the purpose of providing funds to the Life Insurance Department to enable the Company to lend money to ~~ti~~ its policyholders on the security of - their Life Policies and immoveable properties.

Art. 23 provides that such persons who have completed payment of the sum of Rs. 50/- (and to whom a Bond will be issued for that amount) shall be entitled to loans of from Rs. 1000/- to 8000/- without interest and security, repayable in 25 years by quarterly instalments of Rs. 10/- per thousand. These loans are to be advanced from the interest accruing on these bonds during the year, 7/10 of the total interest being set apart for this purpose, the remaining 3/10 of the interest being made available as the net profit of the Personal Investment Department to the shareholders of the company. The names of the Bondholders to whom these loans without interest are promised are to be ascertained by drawings (by lot of course) to be held on the last day of every calendar year in the presence of a Magistrate Directors etc. The amounts to be lent out and the number of loans available during the year depend upon the numbers of bonds fully -- paid up during the year.

Article 24 provides that the name of the bondholder once drawn shall not be included in the names to be drawn in the following year. Under such an arrangement, assuming that there are 1,00,000 of bondholders in any year, only 200 persons will be entitled to loans. Of

~~hiaaaxxbb~~

Book-keeping or can rely upon the officers of the company.

You say that I will be civilly and criminally responsible for my actions but I am sure that the shareholders will not be so ungenerous as to haul me up in any way in return for this - piece of service in the interest of the company as well as all those concerned. You say that you are wrtiting to the Dewan of Mysore as regards our Personal Investment Scheme and also on the present affairs of the company. In this connection, I have to invite your attention to the opinions given by the Government Advocates at Bangalore and Mercara (Coorg); copies of which have been sent to you, in which you will see that they, on deep consideration have emphatically declared that our -- scheme does not come under the category of Lottery. Anyhow, I am sure that your bonafides will be suspected by the Dewan as you that allowed the scheme to go on ever since you became a director up to date, want now to say against it. Anyhow, I am sending this day a copy of this letter to the Dewan along with the copies of opinions of the Two Government Advocates for his kind perusal.

Yours faithfully,

Sd. A. J. Ram,

Managing Director.

"True Copy"

Managing Director.

February 1923. In the face of the abovesaid Regulation, no ratification of either the directors or the shareholders will be necessary. Moreover, the very fact that Mr. Bhogiah was allowed to sit in the Directorate in the last meeting for the settlement of his suspension order (as recorded in the minutes book) clearly shows that the directors knew that Mr. Bhogiah was no director at that time and so they permitted him to sit especially for - that meeting. If you say that he was taken again as a director, there is no resolution reinstating him as a director nor could - any director have voted for if any such proposal had been brought forward owing to the fact that a person whose services have been suspended and dispensed with in other capacities owing to his - many illegal acts, can never be competent to act as a director.

I am sorry to inform you that you have misunderstood Section 77 of the Mysore Companies Regulation owing to the fact that ha you have mistaken the ordinary General Meetings to be held annually (just like the one held on 29th April last) for a statutory -- meeting to be held within six months from the date when the company is entitled to commence business. So, the provisions of Section 77 quoted by you do not apply to the meeting under reference. You have said in your last letter that you would have given consent if passing the Balance Sheet had been only the item on the Agenda, and now, I don't know how you can deny that. You say that it is discourteous to say that the majority of our directors do not know the technicalities of a Balance Sheet and I don't know consider it to be so owing to the fact that it can never be discourteous if you tell me that I don't know law and if I say -- that you don't know medicine. It is a fact that it is only Mr. Shamarow that took much pains in understanding the Balance Sheet in the last meeting and you used to avoid hearing him, being disgusted with the figures and technicalities of the Balance Sheet when he tried to make you have an idea of the same. In my humble opinion, it will be very difficult to manage a concern like that of ours unless the Directors are well conversent with the Account-ancy ancy

You are quite right in saying that it is customary (but not statutory) that the audited Balance Sheet shall be placed before the Directors before it is got printed and circulated among the shareholders. In this connection, I have to remind you that - both yourself and Mr. Shamarow that happened to be the only legal men among the directorate, gave me permission to hold the - Directors' and shareholders ' meetings consecutively at Madras when I pointed out that ~~&~~ it would be very expensive for the - company and very inconvenient for the directors (as the majority are out of Mysore) if the Directors' meeting be held once at Mysore and another at Madras with an interval of 15 or 20 days. So, no directors' meeting could be held before the circulation of the Balance Sheet among the shareholders and both myself and Mr. Bhadraiah Chetty, another director had to issue the Directors' Report and also sign the Balance Sheet as required by Section 133 (~~1~~), (II) of the Mysore Companies Regulation. So, I have done everything legally that too with your approval and you are not therefore justified in saying that I did not get the Balance Sheet passed by the Directors before it was issued to the shareholders.

As regards Mr. M.P.Bhogiah, you are aware that under your chairmanship, the suspension of his services in the capacity of the Legal Adviser and Financial Comptroller, was confirmed and his services were dispensed with by the Directors in their last - meeting held on the 29th April 1923 for his having utilized - company's funds illegally and unauthorizedly for himself as pointed out by the Auditors of the company. This presupposes that he did really hold the appointment of profit (i.e. Financial Comptrollership) under the company and so, he did cease <u>ipso facto</u> as a director from the date when he began to hold the same as per regulation No. 77 (b) contained in Table A of the First - Schedule to the Mysore Companies Regulation which fact has been intimated to you and the other directors as well as to the Registrar of Joint Stock Companies in Mysore, Bangalore, on 3rd -

shareholders have deferred the consideration and passing the Balance Sheet till the abovesaid date by their resolution passed in their last meeting, and the latter part of Section 11 of the Insurance Act provides power to the Governor General in Council to extend time for the submission of the Balance Sheets etc., I have to inform you that I cannot in the first place take shelter under the resolution passed illegally on the 29th April 1923 by a few interested persons after the meeting held on that day was adjourned and many of the shareholders left the meeting hall (which fact neither you nor I can - deny in the face of the minutes recorded to the above effect in the Proceedings Book) and in the second place, there are no circumstances to be put forth for convincing the Governor General in Council that a longer period should be allowed for the submission of the same. Moreover, I am not in a position to take the risk as the Section under reference does not save me or any other director from being imposed any penalty for non-submission of the documents within - due time owing to the fact that it is at the option of the Governor General in Council to extend the time asked for, and the time for submission should be got extended by the Governor General in Council before the time prescribed by the said section, expires.

The reason I have stated above is sufficient to show that all the resolutions passed in the last meeting are illegal and shall not be given effect to as they are suicidal to the interests of the company from the moral and business points of view also. As regards my power and legality for calling the present meeting, I have to invite your attention to Regulation No. 48 contained in Table A of the First Schedule to the Mysore Companies Regulation No. VIII of 1917 in which you will see that any director can call an extra-ordinary General Meeting when there are not sufficient directors in Mysore to form the quorum and as such, it is legal and within my power to call for the meeting when myself and Mr. H.G.Basavappa are the only directors that are in Mysore State - as Mr. Bhogiah is no longer a director as explained hereinafter and Mr. L. Basappa is outside Mysore (i.e. he is in Bangalore Contt.

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belonging to British India). For courtsey sake, I issued a circular to all the directors including yourself on the 26th ultimo explaining all the circumstances necessitating the ensuing meeting and also intimating my calling the meeting in anticipation of the approval of all the directors. As I anticipated the approval of all the directors, I drafted the meeting notice on the 30th of the last month but had to wait for the approval of the majority of the directors till the 4th instant, (when the notices were got printed and posted) as you took objection, as detailed in my letter dated 6th idem. Certainly, I have obtained the approval for June meeting from all the directors except yourself and Mr. Shamarow. I do not know how Dr. Chasker misunderstood that you approved when a copy of my letter dated 30th ultimo was sent to him. It is not right to say that Dr. Chasker has given consent only for one Agenda viz. passing of the Balance Sheet when the resolutions passed by the Provincial Board including himself include other important business. None of the majority of the Directors that have approved the June meeting, has taken any objection as regards the Agenda except that Dr. Chasker prefers to wait for the Articles of Association drafted by Mr. Shamarau. As Mr. Shamarau has pleaded his inability to attend to any matters at present, it is left to the option of the shareholders whether to amend the present Articles of Association or to wait until Mr. Shamarau drafts one. Moreover, the Provincial Directors at Madras that have approved the meeting with all the items on the Agenda, hold shares more than one-tenth of the issued share capital and are qualified to call for a meeting as per section 78 of the Mysore Companies Regulation even if I had no powers to call for the ensuing meeting or the majority of the directors had not approved or refused to hold the said meeting. In these circumstances, you will see that the meeting now called for is perfectly legal and the resolutions that will be passed therein will be most valid and effectual. (Out of 7 Directors of the Company, 5 have approved and 2 have disapproved).